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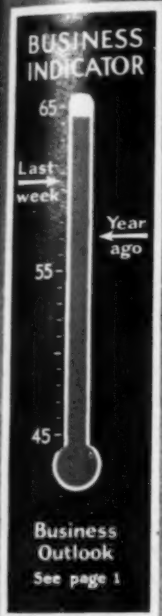
BUSINESS WEEK



See page 1

READY FOR BUSINESS—General Johnson, big boss of industry, swings into action under the Recovery Act.

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This Business Week:

"NATIONAL INDUSTRIAL RECOVERY ACT" is a great mouthful; it was bound to be nicknamed. Apparently the nickname is going to be "Nira"—just as Britain's Defense of the Realm Act became "Dora." It must, however, be pronounced with the "i" as in "fight." Otherwise it becomes "Neera" which will remind the irreverent and skeptical of "Neera, My God, to Thee."

OUTSTANDING feature of this issue of Business Week is our "Recovery Act Catechism."

General Johnson's office is inundated with thousands of inquiries from business men and their organizations who want to know the practical details of the application of the portentous new statute. The thousands of inquiries—oral and by telegram and telephone and letter—sift down to 70 specific questions.

We are printing the questions business is asking, and the answers it gets. This fills three pages, which is a lot of space for any one feature in this terse paper. But we think it is the most useful single piece of work we ever have done for our readers.

SIDELIGHTS on General Johnson—if you need any after studying his face on our cover—

Speed. He is connecting all public works district offices with headquarters by teletypewriter.

Humor. "We are going to do our job in a goldfish bowl."

"No, I'm not going to name the 10 essential industries. I remember what happened to the men who sorted out the 'essential' and 'non-essential' industries during the war."

Credo. "I believe the plan is going to work, and that we shall be able to put several million men back to work before the end of this summer."

Grimness. "Nobody is going to get around the provisions of the law if I can help it. If they do, it will be my fault."

SOMETHING is a little sour in the public works situation. Everyone knew Colonel Spalding was scheduled to be the Administrator. Suddenly, Colonel Sawyer is appointed "temporarily"—he doesn't know how temporarily.

The story Washington is inclined to believe is that Colonel Spalding began naming state and municipal administrators right and left on the basis of his judgment of their abilities, and with no eye whatever to politics. Agonized complaints began piling up so fast that the President had to take notice. He was leaving for his vacation, hadn't time to go into the matter, made a temporary appointment and will look into it all when he gets back. But there are other plausible theories. Civil construction agencies of the government objected to army engineer control. Lewis Douglas, Director of the Budget, has been leaning hard on Sawyer, and is greatly impressed with him.

The incident has done the program no good; municipal and state works, in fact, have suffered a serious setback.

SECRETARY ICKES, by the way, is very much in the public works picture, and nobody has yet accused Ickes of overlooking any political bets.

THE White House and the State Department have the uneasy feeling that the British propaganda is, as usual, putting it over ours like a tent. In an effort to guard against this very thing, the Administration sent one of the ablest newspaper men in Washington to do the press liaison job at the London Conference. Elliott L. Thurston, former head of the N. Y. *World* Washington staff, was to sit in at all meetings, and use his judgment as to what to tell the press. The American delegation is not cooperating with him, either that or he has been outgeneraled. In any event, the British are feeding out all the news again, and coloring it to suit their own purposes.

The British system is simple and most effective. The British headquarters is the best source of news, not merely about the British, but about all the other delegations.

WHEN postage rates went to 3 cents, several utility companies began delivering their monthly bills to consumers by hand. Local postage now goes back to 2 cents. It will be interesting to see whether 1 cent decrease makes it cheaper to mail again, or whether the business is lost to the postoffice forever.

The Business Outlook

It may be the beginning of summer but business, going by the recovery calendar, has springtime ideas. Not all the activity in steel, textiles, shoes, beverages and construction supplies represents forward buying to get under the wire before the Administration program lifts prices. There is a considerable amount of consumption for genuine immediate requirements. . . . Substantial May increases in payrolls have helped purchasing power and that trend has not been broken. Employment figures show early or anticipatory effects of Washington's job drive. Coordinator Eastman's success in flagging a long-drawn-out wage row on the railroads is decidedly encouraging. The gain in freight traffic has undoubtedly soothed the rail heads who see profitable operations in sight even on the basis of current expenditures. . . . Soft coal production in May showed a good bulge over last year's figures, but anthracite operators are still worried, closed several mines when Secretary Perkins halted their negotiations for a wage cut. . . . Power consumption is 18% ahead of 1932 in New England and figures from other sections reflect more activity than last spring. Motor manufacturers scarcely believe their own demand indicators but plan to maintain heavy production schedules through June and possibly into July. . . . Commodity prices sagged under premature rumors of currency stabilization, recovered when reports proved baseless. Secretary Wallace has announced his program for wheat and cotton control. General Johnson is getting the other great experiment under way with plans to hear the first code—that of the cotton textile manufacturers—on June 27.

THE BUSINESS WEEK

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"Back-to-Work Act"

First moves under recovery law will be those calculated to make the most jobs in the shortest time. Minor industries and finer points of trade practice must wait until the big push gets going.

WITH the President pointing to July as "the beginning of our great national movement back to work," the Industrial Recovery Administration slipped its legislative anchor this week and headed at full speed for the starting line. Those who were close enough to watch it get under way found that it had almost a full crew aboard, learned that its plan of action, still sketchy at many points, had been developed in far greater detail than most outsiders had imagined.

Early announcements revealed that more than 400 of the country's leading industrial, trade, and labor organizations had made preparations to swing into line with the Recovery Act while it was still only a bill before Congress. Nearly 100 codes had been filed in Washington for advice or action and a preliminary analysis had been completed (page 7). Insiders working close to the Administration had been able to weld the mass of questions and answers flowing through the Commerce Building into a comprehensive catechism of industrial control and recovery (pages 12, 13, 14). Those who are to operate the Washington machinery under General Johnson's eye stepped out of the planning rooms into the public gaze.

Deputies Lined Up

Business now knows that its codes of fair competition wrought out of conference in its own ranks and consultation with the Administration experts will go first to a deputy administrator for hearing and investigation. Six of these deputies have been appointed from a group which helped to set up the machinery. They are: W. L. Allen, consulting metallurgist, former chairman of Sheffield Steel Co., former director of American Rolling Mill; Prof. Earl D. Howard of Northwestern University, former vice-president of Hart Schaffner & Marx, once executive secretary of the Committee on Industrial Relations of the U. S. Chamber of Commerce; Arthur D. Whiteside, president of Dun & Bradstreet and an organizer of the Wool Institute; Major-General C. C. Williams, former Chief of Ordnance, U.S.A.; K. M. Simpson, consulting engineer and metallurgist, president of International Chromium Process Corp.; Nelson Slater, president of S. Slater & Sons, manufacturers of cotton and rayon textiles.

No deputy will participate in a hearing on the code of any industry in which he has an interest. The expert advice that the deputy will need and the informed mediatory influence that the code-makers and their labor cohorts may require in any particular case will come from representatives of an Industrial Advisory Board and a Labor Advisory Board, appointed, so far as possible, because of their acquaintance with and reputation in the affected industry.

Consumer Board, Too

For political and other good reasons there is also to be a Consumers Advisory Board to represent in appropriate cases the interests of that sometimes forgotten man, Mr. John Buying Public. This is an astute Rooseveltian adaptation of the consumer-representation plan that the Progressives wanted to put into the Hawley-Smoot tariff measure.

Members of the Industrial Advisory Board, named this week by Secretary Roper of the Commerce Department, are Austin Finch, president of the Thomasville (Ga.) Chair Co., chairman of a committee of the Southern Manufacturers Association, which has been working on the recovery law; Edward N. Hurley, chairman of the board of the Hurley Machine Co., and one-time chairman of the U. S. Shipping Board; Louis Kirstein, vice-president of William Filene's Sons, department store concern of Boston; Alfred P. Sloan, Jr., president of General Motors; Walter C. Teagle, chairman of the board of Standard Oil (N. J.), and leader of the spread-work movement under President Hoover; Gerard Swope of "Swope Plan" fame, president of the General Electric Co.; William J. Vereen, Georgia cotton manufacturer, former president of the American Cotton Manufacturers Association, prominent in the Cotton-Textile Institute.

The Labor Advisory Board, named by Secretary Perkins, is headed by Dr. Leo Wolman, labor economist and labor organization advisor. Members include Joseph Franklin, president of the International Boilermakers' Union; William H. Green, president of the American Federation of Labor; John Frey of the A. F. of L.'s Metal Trades Department; Sidney Hillman, widely known president of the Amalgamated Clothing Workers; Father Francis Haas of the Catholic Welfare Council; Rose Schneiderman, secretary of the Women's Trade Union League.

Can Check Up

Close to General Johnson on the executive staff will be Dudley Cates of Chicago, the administrator's assistant for industry, and Edward F. McGrady of Washington, his assistant for labor. Donald R. Richberg, railroad brotherhood attorney (*BW—June10'33*) gets a prominent place as chief of the legal division. Dr. Alexander Sachs, economist and director of the Lehman Corp. of New York, becomes Chief of Research and Planning. And, besides all these, the recovery administration can call on the Bureau of Foreign and Domestic Commerce, the Federal Trade Commission, the Department of Labor and the Attorney General for their advice and accumulated masses of data to check up on industries' proposals and claims. It will be difficult to get away with anything, say the men around the Commerce Building who have been looking over the first codes submitted and wondering if some of them are not prompted more by the desire to increase profits than the summons to increase jobs.

Big Employers First

When President Roosevelt laid down the last souvenir fountain pen used to make the last stroke in his signature to the Recovery Act, he said, "The law I have just signed was passed to put people back to work—to let them buy more of the products of farms and factories and start our business at a living rate again." In that sentence, comments General Johnson, lies the key to the way in which the act is going to be administered. The first thing that he and his deputies will look for in a code of fair competition is a provision to step up jobs and wages. The first industries to get his attention will be those that promise to make the largest additions to employment through agreements under the act. He has stated that he hopes to get the first response from the big employers—textiles, iron and steel, coal, automobiles, petroleum—and these industries were falling into line this week (page 5). For early action—

Wide World

PROUD PEN-HOLDERS—President Roosevelt signs the National Industrial Recovery Act (you'll hear more of NIRA) in the presence of Senators Robinson (who fought for it) Wagner (who helped write it) and Representatives Doughton and Ragen.

which he would like to see confined to agreement on broad simple measures to boost wages and jobs and to provide the necessary protection from chisellers for those who play ball—the General plans to group his industries in large units. The administration is working with the industry breakdown of the census into 17 major classifications, but some of the big, ready-to-go trades may be cut out of the herd for special attention. Washington talks of 28 groups at the start. Divisions will be determined by similarity of employment problems, not products; for instance, watches will go with precision instruments, not jewelry.

Policies in Action

Smaller industries will be encouraged to talk over their troubles at home and with the men at the Commerce Building but they may have to wait awhile for action. Detailed matters of trade practice can be needled into the original codes at a later date. The first job is to make jobs as soon as possible and by the simplest means possible. There will always be time for perfecting the finer adjustments of the machinery of competition and cooperation. As examples of these policies in action, the lumbermen with a code covering their whole industry are being welcomed to Washington and promised a quick decision; a group of automobile dealers from Maryland who came in the other day with a skeleton code was given a blessing and urged to start the ball rolling for the revival of the somewhat moribund National Automobile Dealers Association. Meticulously detailed codes have been received and tabled while the administration announces that the textile group with its code cut down to fundamentals affecting jobs and wages may be the first to get under the wire. The textile men will make their fine adjustments later on and can count on a receptive ear in Washington when they get around to detailed problems of trade practice—of which they have plenty. Incidentally, General Johnson anticipates that when he gets under full way Washington will see from 25 to 50 hearings going on nearly simultaneously.

Where Modernization Stands

As administrative plans developed further during the week, they began to furnish clearer answers to some of the special questions that large industrial groups have been asking since the recovery program first took shape. For example, it became more certain that the builders of industrial machinery and capital goods were not going to be hamstrung by any attempt to discourage the use of labor-saving machinery. Washington knows that they have a million men out of work themselves. It is interested in reasonably planned modernization that will make things cheaper for the new buying power. It hopes to create new wants and new means to satisfy them. Technological unemployment has not been solved by a long shot but nobody believes in a recovery plan designed to take us back to handicrafts or to stay the progress of invention. Significantly, one of the objects of the plan is to shorten the hours of labor, spread work further. And finally the insistence on cost accounting, clean selling and high labor costs should speed the rate of obsolescence.

This is the long-run view. The initial drive to put men back to work will be accompanied by a plea for an armistice on capacity increases and labor-saving moves, as well as for an armistice on price-raising. For one thing, the administration doesn't want industry brought to grief by letting the prospect of higher prices lure it into a volume of production not yet warranted, and for another, of course, it wants to show quick results in the employment figures. Overproduction will be discouraged, agreements to hold down output will be urged at the start. But the President, who talks of "underconsumption" rather than overproduction, thinks that this is a preliminary phase. The bill itself lists among its purposes—"to avoid undue restriction of production (except as may be temporarily required)."

Advertising's Outlook

Marketing experts in the government offices feel that the new setup will increase, not diminish, the need for fine selling technique and for advertising. Firms that sell on a price basis alone are to be eliminated; goods are to be sold less on price than ever. At the moment it looks as though price-fixing would be limited to a few industries, particularly those producing raw materials. There should be increased emphasis on quality—which means advertising; increased competition among industries—which means cooperative advertising.

General Johnson is expected to discuss some of these matters in a message to the convention of the Advertising Federation of America at Grand Rapids next week.

Keystone

MORE PROUD PEN HOLDERS—On this page, they watch the President sign the Banking Bill—the inevitable left-to-right including Senators Barkley, Gore, Glass (his bill, mostly) and McAdoo, and Representative Steagall (who sponsored the measure in the House) and Senator Fletcher. Between Glass and McAdoo, Comptroller J. F. T. O'Connor, McAdoo man from California.

First, the Big Industries

Cotton textiles, oil, coal, automobiles, iron and steel, tobacco step up to the recovery window, but some of their codes miss General Johnson's point—which is jobs.

SPEAKING of codes, Gen. Hugh S. Johnson, administrator of the National Industrial Recovery Act, said that he hopes to hear first from the big employers of labor —the textile, iron and steel, coal, automobile and petroleum industries. They have been quick to respond, though not in all cases quick to recognize the real objectives of the Act.

First code of fair competition to get an official hearing from the National Industrial Recovery Administration will be that of the cotton textile industry submitted to Washington this week by the Cotton-Textile Institute with the adherence of the National Association of Cotton Manufacturers and the American Cotton Manufacturers Association, northern and southern wings of the industry. On June 27 General Johnson will tackle the most spectacular part of his job in taking up cotton's proposals for a 2-shift 40-hour week throughout the industry, for minimum wages fixed at $10 a week for Southern mills, $11 for Northern ones and for detailed administrative controls.

A Tough Job

The rapidity with which this industry has been able to get concerted action does not mean that its internal problems are simple ones. Actually they are more complicated than those of almost any other American industrial group, entangled by age and tradition.

This code will be no easy pill to swallow. A 40-hour week will involve a reduction of nearly 20% in the effectiveness of invested capital in such states as Massachusetts where the 48-hour week is now legal and of 33⅓% in some of the Southern states which have 60-hour laws.

The minimum wage scales set up in the code will force a complete realignment of operating schedules and costs. Incidentally, wages represent only a part of the compensation received by laborers in some mills—those that furnish workers with housing facilities at a fraction of actual cost, with school and other municipal services free of charge. Up to June, 1932, the minima paid in Southern mills ranged from $7.33 in South Carolina to $8.79 in North Carolina; the lowest average wage in the north was $10.83 in Connecticut. And since that date there have been substantial declines.

When the new code is put into operation mills that have kept close to full-time operations through intelligent and intensive marketing will suffer heavy shrinkages in output. Other manufacturers will find themselves handicapped because, in the hours allowed under the code, their antiquated machinery will not turn out as many units of production as those of better-equipped competitors. Which seems to indicate hurried modernization in many cases.

Speaking broadly—and frankly—the oil industry is taking the Industrial Recovery Act less as a means to what its title refers than as a convenient cure-all for some of its personal ailments.

A code of fair competition, drafted at a Chicago meeting of the American Petroleum Institute with 37 independent associations, is now before the association boards or executive committees for final o.k. Potent ingredients have been included in the remedy. Production would be rigidly controlled by allotment of maximum quotas to existing producers. Drilling of new wells would be subject to government permit. Prices would have to cover production costs and buyers of crude would be compelled to furnish sworn statements of purchases and payments. To remove temptation, the President would be petitioned to establish, from time to time, regional minimum prices—maximum prices, too, if he thought them needed to protect consumers. Strict control would be exercised over storage operations, and imports would be allocated on the basis of 1932.

Market Problems Next

A special committee is tackling detailed marketing problems, trying to adjust differences between regional interests, also between the big national producers and the independent distributors and dealers. Eventually there may be an Emergency National Committee—26 members from the producing side, 26 from distributing —to wield enforcement powers. But the Chicago meeting "resolved" that the President had better inquire into the desirability of using his licensing power on the industry—just to make sure.

Bituminous coal operators, meeting at the Drake Hotel in Chicago on June 16 under the auspices of the National Coal Association, sidetracked any commitment on the highly explosive question of wage relationships in competing producing districts by adopting a "model" code—not a "master" code, the long debate decided. Each district is left to write its own ticket on minimum hourly wage rates and maximum hours of labor. No suggestions were offered as to the tonnage rates which determine the compen-

sation base of a large share of the mine workers. A motion to invite each district to name a code committee so that all district codes could be submitted simultaneously or district labor rates could be incorporated in a master code was choked off by a motion to adjourn. Until General Johnson brings further pressure for unified action, if he does, the districts get only a warning: they had better take to Washington complete data on rates, earnings and cost of living.

Code for Coal Sales

For the rest, soft coal's model code condemns sales at less than cost of production, urges district minimum prices based on that cost and the competition of substitute fuels, inveighs against a familiar list of concessions and unfair sales practices, ignores recommendation of the National Retail Coal Merchants Association that operators should limit shipments of coal for household use to regularly equipped dealers and, in localities where retail associations function, to members of such organizations.

Meanwhile, the anthracite people are stabbing at a code under the strong persuasion that, if they are to meet competitive fuels, their wage rates cannot go up and may have to come down, are suggesting the possibility that General Johnson must eventually mediate between them and the miners.

Automobile manufacturers are meeting this week in Detroit to decide whether a code under the Recovery Act is needed. Their industry, unlike so many others, has no overproduction or price-fixing problems, has already accomplished much in the way of higher wages and shorter hours. Many motor leaders give lip service to NIRA but really want to be let alone, fear the effect of interference on the present boom (page 9) and on the traditional open-shop policy.

Others feel that they will have to join the industrial salvation army if only for moral effect. In that case, Santa Claus could bring them a rise in retail prices and eventual elimination of the sacred f.o.b. Detroit price, so long a merchandising stumbling block.

Motor Men Busy

Motor associations have been stirred up by the big wind from Washington. The National Automobile Chamber of Commerce has authorized President Alvan Macauley (Packard) to name a committee to decide what, if anything, should be done about a code. The Motor & Equipment Wholesalers Association was this week following up regional meetings with a summer conference at Chicago, chiefly for code-making.

More excited than any other automobile division is that made up of motor truck operators. They have an idea that NIRA may give their critics the long-sought opportunity to do something about the long hours that make the truck driver a tough competitor for other kinds of transport. Established truckers also see a bright possibility that a code with teeth in it might do something about the casual carriers who cut in on their business with starvation prices. At a Chicago conference this week-end the Truck Association Executives of America were considering the formation of a National Federation of State Motor Truck Associations to set up recovery machinery.

The American Iron and Steel Institute has a code in the hands of its lawyers for final polishing. Copies will not be available prior to acceptance by a majority of the industry but it is understood that it provides for maximum hour and minimum wage scales without abandonment of the open-shop plan so dear to the steel men and insures recognition of regional differences so that Birmingham will not be bound to Pittsburgh's rates. No attempt is being made at this time to establish any procedure for pricing products or allocating orders though leaders think these may become necessary.

Robert P. Lamont, president of the American Iron and Steel Institute, is taking a leading part in drafting operations. William L. Allen, who developed the Sheffield Steel Corp. of Kansas City, later absorbed by the American Rolling Mill, has been mentioned as steel administrator. Price advances have also been mentioned and wage raises are confidently expected. Formation of a new company union by Carnegie Steel Co., key unit of U. S. Steel, has aroused wide comment. It installs a plan of employee representation for the duration of the Recovery Act.

Groups of tobacco manufacturers have been in session for over a week. Differences between makers of various tobacco products have not been ironed out and the formulation of a code to cover the entire industry is a remote possibility.

Distributors and dealers in tobacco products have gained the impression that the act provides a royal road to real profits. On that assumption they have drafted codes that cheerfully condemn price-cutting, pirating, coupons, various other "unfair" practices, and then proceed to specify minimum profits.

The distributors want 5% minimum profit on cigarettes, 10% on the 5¢ cigars, 12% on the higher-priced cigars and 10% on other tobacco and allied products. The retailers, burdened with a proportionately higher overhead charge, are not so modest. The least profit they will take is 20% on cigarettes, 25% on cigars, tobacco and snuff, 40% on pipes.

In exchange for these minimum margins of profit both groups give assurances that wages and working conditions will be improved. Through the National Association of Tobacco Distributors and the newly organized Retail Tobacco Dealers of America each group expects to extend to General Johnson the privilege of approving its handiwork.

Keystone

"THEY WILL NOT CUT"—Alexander F. Whitney, president of the Brotherhood of Railroad Trainmen and chairman of the Railway Labor Executives Association can tell the million rail workers that wage rates are now safe until July, 1934.

Rail Pay Pegged

The Administration flags a wage cut special. Now how about that freight rate reduction?

RAILROADS and labor signed a wage truce this week "in order not to embarrass the Administration."

Actually, the armistice saved the roads from embarrassment. Their demand for a decrease was flagged by the Administration; labor officials refused to accept their notice of the cut; and Mr. Eastman led Messrs. Thiehoff of the managements and Whitney of the Labor Executives Committee back to the woodshed.

There, it was pointed out that another cut did not fit in with a program of rising wages and prices. The managements, thinking it over, agreed with the principle, saw its application to freight rates—now under fire in a shipper's case before the I.C.C.

So the roads have agreed to drop the petition for a further cut to 22½%; the brotherhoods have decided to take the present 10% for another 8 months from Nov. 1 when it was scheduled to expire.

Neither side gives up its traditional ideas on wages, but postponement of the showdown gives an advantage to labor, which has not lost by its policy of watchful waiting.

The First Hundred Codes

Special analysis of industrial codes already in Washington provides a guide to solutions of typical competitive problems most likely to meet government approval.

Close to one hundred codes, tentative or carefully completed, new or restatements of old, have arrived in Washington already as an earnest of the tidal wave which is to roll over the National Industrial Recovery Administration.

While this summary of codes so far available confines itself to extracts from a limited number of typical codes, the survey may be taken as authoritative in that these selections indicate the type of provisions expected to be acceptable to the National Industrial Recovery Administration. It may be noted that they indicate the sincerity of the statements already made that the trade associations will be encouraged to do their own policing, and in their own way, and that the plans of the administration are to give teeth to the type of code that each industry wants and needs consistent with the broad social aims of the Act.

Hours of Labor: A monthly stint of 130 hours, instead of 30 hours per week, is suggested by the American Road Builders Association and the Associated General Contractors for fields in which inclement weather frequently makes a full week's work impossible.

Forty hours a week is the idea of the Cotton-Textile Institute and the Throwsters Research Institute for the needle trades, the former suggesting a provision that no productive machinery (looms or spindles) shall work more than two 40-hour shifts per week.

A provision which the National Paper Board Association believes would put 12,000 to 15,000 more men to work in its industry calls for four 6-hour shifts instead of three 8-hour ones.

The seasonal nature of its business brings a suggestion of an 8-hour day, 5 days a week, during the 10 weeks of heaviest production from the Toy Manufacturers of the United States.

Wages: The National Paper Board Association code provides that "the wage for 6 hours shall not be less than the 1929 wage for 8 hours, adjusted, plus or minus, to the cost of living in 1929 as compared with the cost of living at any time thereafter prevailing, all as may be necessary so that the wage shall be proportionate and purchasing power equivalent to that in 1929."

A minimum wage of 25¢ an hour for the first 6 months of the operation of the new law, and a subsequent increase to 30¢ (except for learners, who would get 20¢, subject to increase with higher efficiency) is suggested by the Throwsters Research Institute.

The Cotton-Textile Institute, collaborating with the American Cotton Manufacturers Association and the National Association of Cotton Manufacturers, offers regional minimum wages—$10 a week in Southern mills, $11 in Northern.

The lumber manufacturers suggest that hours of labor and wages be adopted "after consultation with all divisions of the industry."

The Associated General Contractors Association feels that measures should be taken to extend work through the winter slump in construction.

Discounts: Consignment selling is decried and a standard discount of 2% is favored by the toy manufacturers.

Sellers of automobiles, through various local associations, suggest code provisions against "fleet discounts"—rubbing a sore spot in dealer-manufacturer relations.

Price Discrimination: The code of the Soil Pipe Association, one of the first to be completed and signed by all the members, defines as unfair trade practice discrimination in price between purchasers except for difference in quality, grade, and quantity, or as allowance for difference in cost of selling and transportation, also discrimination in price in the same or different communities "not made in good faith to meet competition, where the effect of such discrimination may be to substantially lessen competition and tend to create a monopoly." It is held to be unfair for the wholesaler to accept, after the lapse of the option at the offered price, orders at the specified price without making fair and equitable adjustment in the event of a general decline or general advance of the market. It is also called detrimental to the public and to the industry to quote a total price which does not show the unit prices, as this practice is held generally to conceal confidential preferentials and "results, in most instances, in fraud and the substitution of products of inferior quality."

The code of the National Lumber Manufacturers Association provides that a scale of minimum prices shall be provided by each division of the industry and submitted to its Emergency National Committee for approval, which shall be disproved only on the basis of unfairness to other divisions. Selling non-standard grades, sizes, etc., to evade the provisions of this section is characterized as unfair competition. Provisions are also made that minimum prices for imported products shall be established by the Emergency National Committee and shall not be less than the same or similar prices for domestic products.

Selling Below Cost. The Sales Book Manufacturers Association's code provides that prices be based on "accurate and known costs as established by an adequate cost-finding system." It goes on to provide that "sales at or below or at different prices, terms, conditions, etc., than published in the seller's price list (except sales of perishable or distress merchandise made in emergencies that

Keystone

RAIL HEADS SIGN MR. EASTMAN'S WAGE TRUCE—Railway management executives met to boost the 10% wage cut which expired November 1. Washington, however, has set the signals against the move. Left to right are President Gorman of the Rock Island; President Needles of the Norfolk & Western; W. R. Cole, head of the Louisville & Nashville; E. N. Brown of the Frisco Lines; President Pelley of the New Haven; and Hale Holden, head of the Southern Pacific, meeting in Chicago.

Keystone

COTTON TALK—C. A. Cobb (left) "King Cotton" under the farm act, talks over troubles and taxes with George N. Peek, administrator of the act.

can be fairly justified by sound economic reasons)" are unfair competition and a violation of the code.

Production Quotas. Quotas for each division of the lumber industry would be provided, under the code of the National Lumber Manufacturers Association, by its Emergency National Committee on the basis of periodical estimates of expected consumption made.

The paperboard code provides that "through recognition of, and adherence to, the principle that each member of the industry should control excess capacity, individual operations of capacity in excess of the industry per cent will be subject to a progressive tax at an amount per ton to be hereafter determined. The amount of this tax will be so fixed as to operate as a deterrent to volume-seeking through unsound price concessions."

Bigger Taxes for Smaller Crops

Growers of cotton, tobacco, corn and hogs will be paid to cut down production. Wheat growers must promise to reduce in '34.

THE big guns in Washington are beginning to boom. Congress had no sooner adjourned after having supplied the Administration with a formidable array of weapons with which to fight the depression, when the barrage started. Secretary Wallace lets it be known that the powers conferred upon the President are no idle gesture. He has announced that the provisions of the Agricultural Adjustment Act are to be applied to wheat, cotton, tobacco, corn and hogs. The voluntary allotment plan, made permissive in the agricultural bill, is to be applied on the wheat crops of 1934 and 1935 with benefits to be paid to the farmers beginning with the year 1933. The problems of the cotton growers are to be attacked through a combination of the cotton option plan and the land leasing plan. Tobacco growers will receive benefits if they will harvest only 50% of the 1933 crop, and corn and hog plans are due.

The announcement dealing with the wheat program is vague because acreage reduction proposals are not to be applied till the seeding of winter wheat this fall. For 1933, contracts are offered to farmers for acreage reduction in 1934 and 1935, not to exceed 20%, and compensatory payments for the 1933 crop are to be made about September 15 on two-thirds of the expected reduction benefits, the remainder to be paid upon proof that the contract has been fulfilled in the 1934 acreage. The total thus made available to the 2 million wheat growers in the United States will be about $150 millions, or from 20¢ to 26¢ a bushel, depending upon the final outcome of the crop.

Present prices received by the producer for wheat average about 60¢. If this price is maintained, then the farmer may expect to get a net of from 80¢ to 85¢ a bushel at the farm for his 1933 crop. This is close to what the adjustment bill intended him to get when, in its declaration of policy, it proposed to "reestablish prices to the farmer at the level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities" in the base period from August, 1909, to July, 1914. With the index of prices paid by farmers for commodities bought during the base period at 100, prices for the same articles during April, May and June were slightly above 100. The price of wheat during the base period was 88¢. An approach to that figure would cover the intent of the bill.

Too Late for Wheat

Two things have prevented the application of acreage reduction measures for the 1933 wheat crop. (1) The lateness of the season makes it impracticable at this time to apply acreage reduction measures. Harvesting is imminent in Oklahoma and will be in full swing in the next two weeks. (2) Nature has stepped in and sharply reduced the crop for the year. Winter wheat is now estimated at 341 million bushels compared with 462 million bushels in 1932, and 589 million bushels for the 5-year average. Spring wheat promises to be about the same as last year, but somewhat below the 10-year average.

In spite of these reductions, however, the carryover promises to be over 360 million bushels, largely because exports of wheat have been approaching the vanishing point.

Secretary Wallace has not yet definitely announced the amount of the processing tax, but in order to pay the $150-billion benefit to one farmer, it will be necessary to tax processors the maximum—about 30¢ a bushel.

The cotton plan differs from the wheat plan in that it provides for a destruction of a part of the crop already planted. The government will pay the farmers for such destruction. It is proposed to eliminate about 10 million acres of cotton, approximately 25% of the crop, for which farmers will receive from $100 to $150 millions in the form of rentals or options on government held cotton. The rental varies from $7.00 for land yielding 100 pounds of lint cotton per acre to $20 for land yielding 275 pounds per acre.

Cotton Option Plan

Farmers may also avail themselves of a cash payment and cotton option plan whereby they will receive rentals ranging from $6 to $12 an acre plus an option on government held cotton in an amount equal to that which a producer agrees to retire from production. The price of the option will be 6¢ a pound, against present spot cotton prices in New Orleans somewhat over 9¢. If prices fall, the growers need not exercise their option.

Notice will be given to producers whose signed offers have been accepted by the government and after that the premises will be inspected prior and subsequent to taking the acreage out of production. Land taken out of cotton production may be used for the production of soil improvement or erosion-preventing crops, or food and feed crops for home use.

The Cotton Tax

The money necessary to pay the cotton producers will be raised by a tax which will be computed and announced by the Secretary of Agriculture. Under the present law, it will amount to the difference between the current average farm price and the fair exchange value which would make a tax of about 4.1¢.

The announcement that the benefit payment for cotton acreage reduction plans is to be raised from a processing tax has already aroused a storm of protest. It is argued that through the use of $200 millions made available to eliminate acreage from production, the acreage reduction sought could be obtained, thereby increasing prices with no cost to any section of the industry. Cotton interests contend that the processing tax will fall back on producers and would do much harm because of decreased consumption. Millmen declare that they are in no position at present to meet the tax and face resultant competition from other textiles.

No Evasion

Cotton advanced on all markets when the announcement was made. Enormous purchases by mills had taken place in anticipation of this announcement. The index for cotton forwardings has risen to 222 as against 181 a week earlier, 58 on the same date in 1932 and 136 at the peak of industrial activity in the boom year of 1929. While millmen have been buying heavily in anticipation of the proposed tax, it is doubtful that they will be permitted to profit from this foresight because the Adjustment Act provides under the provisions on "Floor Stocks" that the tax becomes applicable on the commodity to be processed from the day it is announced, whether taken from the floor or purchased from warehouses.

Tobacco Contracts

Contracts are also to be offered to tobacco producers in New England, Pennsylvania, Ohio and Wisconsin to receive benefit payments if they will not harvest more than 50% of the acreage that they harvested in 1932. Plans are now being worked out to provide benefit payments for tobacco growers in the Connecticut valley and the Georgia and Florida areas. Announcement has also been made that initial policies for applying the Agricultural Adjustment Act to corn and hog production and marketing problems are now being developed as rapidly as possible.

They're Buying Cars

April accelerated the pickup in automobile sales; May, surprisingly, continued it, and June is going strong.

DETROIT dinner pails are heavier—with something more filling than hope; D.A.C. dinner checks are larger. Automobile men in shop and office, who viewed the first spring crop of sales with caustic Missouri optimism, are beginning to relax their crossed fingers and think of the possibilities—the pleasanter possibilities.

The April production figures were mildly pleasing. They confirmed in official digits what the brass hat and the stockroom clerk knew: that the automobile business was having a belated seasonal pickup, that a few of the new model seeds sowed at the shows, and since, had sprouted into sales in spite of financial frosts. May, of course, would show the proper seasonal slowup.

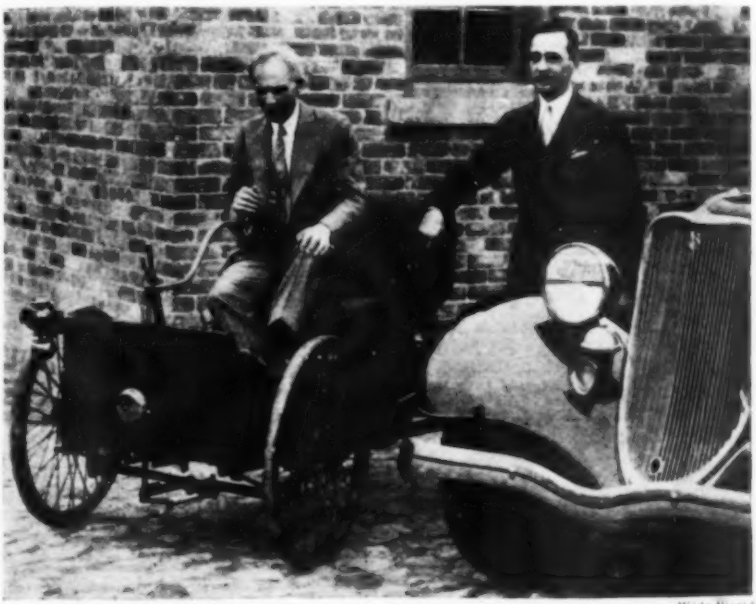
But May figures showed no such thing. Rather, they produced considerable of a peak, little in comparison to the grander totals of gladder days, but large above the gulch of depression. The National Automobile Chamber of Commerce reported a gain of 23% over April, to make a total for its members of 172,883 units, the highest in 22 months, and 51% over May of last year. To this must be added the offspring of the Ford factories, unpublicized, unknown exactly, but reasonably estimated at 40,000. Call it 213,000 new cars on the road.

June figures, as yet uncharted publicly, reveal a continuation of the upward curve. From material makers and parts suppliers come bulletins of big orders and releases which add up to totals as good as May's and better.

Individual instances bear out the general conclusion: Chevrolet, "the leader" without quibble or qualification, turned out 59,000 in April, 65,000 in May, and has twice revised its schedules to make some 75,000 in June.

Pontiac production for June will exceed that of any month since May of 1931. "At a time when car sales should be dropping from the normal spring peak," said R. K. White, sales manager, "Pontiac's last 6 ten-day sales periods all registered increases over each preceding period, and with but one exception were larger than the corresponding periods of 1932." Pontiac sales for May, incidentally, exceeded production by several hundred units, an indication of factory caution, and were 76% greater than in May 1931. In less than the first half of '33, more Pontiacs were sold than in all of '32.

Oldsmobile May sales reached the highest point since July of 1931, and



Wide World

THIRTY YEARS OF FORDS—Henry Ford and his son Edsel compare the oldest and the newest Fords on the 30th anniversary of the Ford Motor Co. Advisers wanted Mr. Ford to "merchandise" the event, but he refused to consider the idea. Instead, he let the photographers into Greenfield Village, his famous private settlement of old time buildings, thus getting free pictures in the papers—including *Business Week*.

the production schedule for June was boosted first by 42%, then by 60%. May figures were 50% over the same month of '32.

Buick, blowing the whistle every day in the week, made over 5,000 cars in May, 20% over April, almost double the production of the same month in the previous year. June schedules call for a 54% increase over last year. The totals may not seem impressive, but Buick is outselling all other 8's in its price range.

Chrysler Going Up

Chrysler has sold 151,220 cars this year as against 119,105 last year. Sales during the week ending May 27 reached the highest weekly total since July, '29.

Plymouth hit an all-time production high in May, when car No. 34,554 came off the line with appropriate ceremony. The first estimate for the month was 28,000 cars, later revised to what seemed an optimistic total of 32,000. Amplified production facilities permit a June schedule of 40,000. At the end of May, the factory was 2 weeks behind orders.

Dodge shipped more cars in the first 5 months of this year than in all of '32.

The Lone Wolf of Dearborn, who admits neither victory nor defeat, is reported to have jumped production from an accepted 40,000 for May to 48,000 for June, perhaps because the belated Ford advertising has swung from the sublime to the sale point.

Both the gentleman in the dinner jacket at the D.A.C. and the gentleman in the jumper on the assembly line base their unspoken expectations on two tremendous possibilities: (1) A third of the 24 million cars now on the road are over 7 years old. That means they have no four-wheel brakes, no free-wheeling, no floating power, no shatterproof glass, few of the many modern conveniences to which the motorist has become accustomed. Their obsolescence is being hurried by even more recent developments like Reo's automatic gear shift, soon to be followed by similar developments of other manufacturers.

(2) Since the depression began, there have been more cars withdrawn from service than have been built. Some of these, of course, are plain hard-working Buicks laid up in the barn until Farmer Jones can buy gasoline and license tags. Most of them, as a matter of fact, have been scrapped. Figures follow:

Year	*Built*	*Removed*
1930	2,950,980	2,893,618
1931	2,148,917	2,148,181
1932	1,251,205	2,900,000
Totals	**6,351,102**	**7,941,799**

(Production figures are passenger cars for the domestic market. Estimates of registration removals for 1933 are not available.)

These are the conditions underlying the rich replacement market, on which, some day, the industry hopes to cash in. There is evidence that this market is already being tapped.

The great bulk of automobiles is purchased by people without much capital beyond current and probable future income. When the vicious spiral of deflation stopped or rendered uncertain that present and future income, they stopped buying, made the old car do. Given the promise of better times, or even that things will get no worse, and they are apparently quick to dicker on trade-ins.

Utility Divorce Annulled

Kansas court's decision sending appliance merchandising back to the gas and electric companies is no shock to dealers. In 2 years, many have changed their minds.

TIME and the judgment of the courts is beginning to undo the work of those who 2 years ago whipped up public opinion against the merchandising of domestic appliances by utility companies.

In the summer of 1931 the legislators of Kansas and Oklahoma prohibited such merchandising in these states. The Supreme Court of Kansas now rules that the law is in violation of the 14th Amendment of the Constitution of the United States. To deny the electric and gas companies "an implied power incidental to their general business is unreasonable, arbitrary, unjust and oppressive." On the same grounds, the State Appellate Court of Texas has dissolved an injunction granted some time ago, forbidding sale of appliances by the San Antonio Public Service Co.

It all grew out of the misguided zeal of certain gas and power companies which overstepped the mark in their retailing policies. They indulged in cut-price sales and over long terms and gave away premiums on a basis that presented a competition that the local hardware, department store, and electrical dealers could not meet. When the latter complained, the utility man, who was an amateur in retailing, felt they were unreasonable and got into a wrangle. He thought of merchandising in terms of building load, while the hardware man was thinking of profit on sales. The national associations of the hardware and department stores took up the issue, prohibitory legislation was introduced in many states and became a law in two. Though some of the worst offenders had been gas companies, anti-merchandising legislation became the spearhead of the popular attack on the "power trust."

But it didn't work out as the dealers wanted. In Kansas and Oklahoma, when the utilities quit selling appliances the chain store and mail-order houses stepped in and grabbed the business, and the independent retailers were out of the frying pan into the fire. The utilities had, at least, worked hard to develop the load-building market—to an an extent that the individual retailer could not afford—and had sold only quality appliances, in most cases at list. The chains and mail-order people cut in with low prices and spoiled the party. A year ago the Kansas newspaper publishers petitioned the legislature to kill the law, on the grounds that it was destroying the business of the local merchants. They had noted the disappearance of appliance advertising.

Change in Sentiment

So the hue and cry against utility merchandising has died down. Experience has changed the sentiment of many dealers. The utility has seen the light and made a sincere and effective effort to correct abuses.

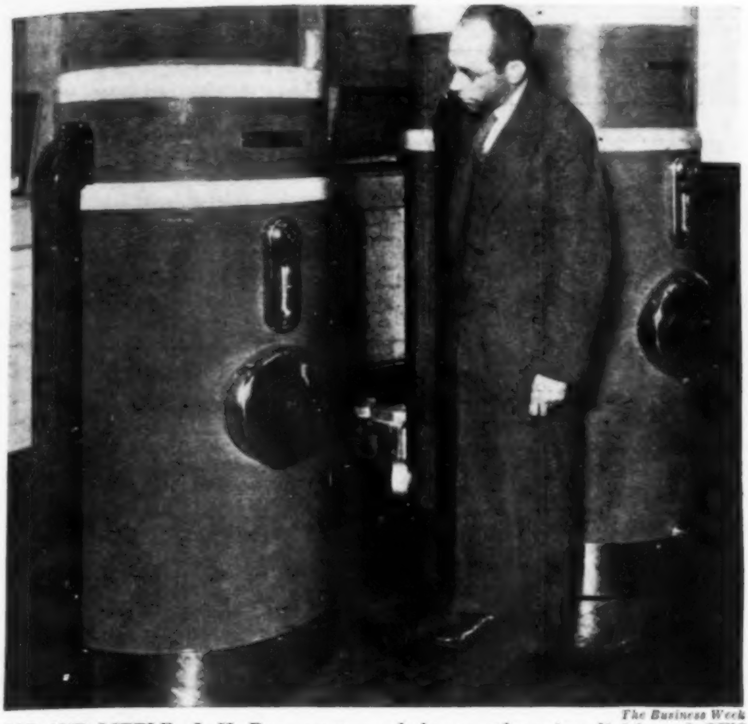
Despite this trend, however, "the Carlisle companies" in New York State have suddenly discontinued selling appliances. The Niagara & Hudson system serving the broad territory from Buffalo to Albany quit about 2 months ago and the group of power companies operating in New York City, Brooklyn, Queens, and Westchester will discontinue on July 1. Because of the large volume of appliance business done by these organizations, the rapidity with which this change in policy has been carried out has occasioned much comment.

In New York City the power companies discontinued house-to house selling and the financing of dealer sales last January. When they cease all appliance selling on the first of next month, about $3 millions in annual business will have to find other channels of distribution. The department stores are glad. The small dealers don't know what to think and are not equipped to take over any large part of this volume.

Just an Echo

The utilities have been building up the Electrical Association of New York as a promotional influence and will continue to advertise the use of appliances, but this is a still small voice compared with their aggressive selling in the past.

A recent check-up of the major groups of power companies shows no similar inclination towards abandoning the direct merchandising of appliances. On the contrary, most of them feel that the greatest present need in face of impending higher taxes and lower rates is to build up residence load, and that means more and better selling.



BIG AND LITTLE—J. H. Rue, manager of the manufacturing division of GE'S air-conditioning department, checks up the comparative size of the new smaller General Electric oil furnace just put on the market.

Real Estate Looks Up

Prudential Insurance advances prices 10% on farms and small homes, a symptom of the changing market.

WHILE a driven Congress was jamming through federal rescues for mortgaged farms and urban homes, general improvement has brought relief to large holders of foreclosed real estate. A gage of the growth of confidence lies in the action of the Prudential Insurance Co., which has increased its sale quotations on foreclosed farms, residences, moderately-priced houses by 10%, effective July 1. Several other large insurance corporations are expected to follow suit. Hopes run so high that another 10% later in the summer is talked of. Income producers (apartments and office buildings) which show promise of paying out are not being offered.

New leasing policies reflect a strengthened market. Business rentals are being arranged for the shortest possible time, 2-year leases marking the maximum.

Other reluctant holders of foreclosed properties are cheered by renewed vitality in all classes of real estate. One large New York savings bank has withdrawn its best holdings, hoping for better prices on the rising market. Similarly, choice properties involved in the crash of the famous Bank of U. S. are being held off as buyers become more eager, display large offerings of cash. All New York savings banks report greater demand for foreclosed property and a tendency to protect mortgages by keeping up payments.

In Detroit, sustained automobile production has helped relax the stringency. Leonard Reaume, vice-president in charge of real estate for the Detroit Trust Co., cites a recent survey to opine that Detroit and Birmingham, Ala., have the best chances for swift recovery of all our large cities. A Detroit realty company reports happily that in May rentals increased 30%, delinquencies fell 25%, vacancy ratio declined 21%. Rentals for small modern homes tend to be higher; sales of houses are up with an increasing percentage of cash.

Meeting in Chicago last week, the National Association of Real Estate Boards shook the moisture of a long deluge out of its locks and smiled into the rainbow. It beamed as Dr. C. E. McGuire, mortgage consultant to insurance companies, assured an assembly that "a long period of inflation lies ahead." He thought that the first price would induce people to buy houses. Renting property might not fare so well. He expects rental earnings to lag behind increase of operating costs. Mounting costs of government, national and local, probably will start an upward turn in taxes as early as this fall.

W. C. Miller, of Washington, D. C., president of the Association, confirmed the belief that equity values increase, mortgage holders note rises in portfolio values, inquiries from prospects multiply, asking prices tend to stiffen. D. S. Wenzlick, of St. Louis, legitimized the improvement with figures from a survey in his home town. He found less piling up of potential recovery factors after the World War than now. He tabulates it thus:

	1918	1933
Delayed marriages	4,000	20,000
Doubled-up families	3,500	20,000
Homes over 50 years old	50,000	70,000
Vacancies	22,000	31,000

The survey points out that the smaller families of today demand a larger number of separate homes.

It must not be assumed from all this cheerful talk that real estate recovery is a fact. Rather it is a definite promise. The momentum of deflation was so powerful that foreclosures of mortgages are still frequent, continue to run ahead of sales. The encouraging reality is that a steady rise of sales in conjunction with a steady decrease in foreclosures ought soon to close the gap.

Fortified by this knowledge it is possible to look the awful record in the face without shuddering. A compilation of the Federal Home Loan Bank recently revealed the extent of foreclosures for the country. It examined 414 communities containing 38.2% of our entire population. In these, real estate foreclosures rose from 37,084 in 1926 to 139,012 in 1932. The figures for January and February during 1926, 1932 and 1933 were respectively, 4,947 foreclosures, 18,926, and 23,545. In January and February this year Illinois had almost twice as many foreclosures as during the whole of 1926 (3,129 against 1,906). The fabulously rich city of New York suffered fabulous losses. Douglas L. Elliman, big realtor, estimates that since 1931 properties valued at $1,110 millions have been disposed of by foreclosure sales in the 5 boroughs. The slant of increase was painfully acute. For 1930 the figure was $257½ millions, for 1931 $336 millions, for 1932 $517¼ millions.

Students of finance will be pleased at the effect of improved realty prices on asset totals of mortgages held by government agencies, banks, insurance companies. Students of humanity will hail the slump in foreclosures for a different reason. It means fewer broken families, less disillusion among workers, a smaller demand for destructive philosophies.

Recovery Act Catechism

Here are the questions everyone is asking about the practical application of the National Industrial Recovery Act, and the answers that have been given, compiled by *Business Week* from many sources.

Associations and Codes

Q. What is the proper procedure to prepare a code? A. Read the law, study the President's declaration (Bulletin No. 1 of the NIRA), the regulations as to procedure to be followed by the Administration in handling codes submitted to it (Bulletin No. 2). Put wages, hours of labor, control of below-cost selling, ahead of other elements. Make a broad preliminary code to cover these. Work out other details later. Then submit the code to the Administrator, preferably in person.

Q. How soon are codes expected? A. Big industries first, but if small groups present complete codes promptly, they will probably get quick action.

Q. What is to be the attitude toward national, local, and regional associations, or associations that represent parts of larger major industries? A. Preference is for large national associations wherever possible; because this may not always be practicable, the law provides for "an industry or subdivision thereof."

Q. What is the policy on groups within allied trades, which prefer to act independently and be considered as separate industries? A. This will be permissible but preference will be for as large and representative groups as possible, both horizontal and vertical. Independent codes will, of course, be accepted, but minor industries may be asked to wait while large groupings are considered.

Q. On what premises may miscellaneous group industries begin their studies to know how to associate themselves under the law? A. See Bulletin No. 2. Consult the National Association of Manufacturers, Chamber of Commerce of the United States, Bureau of Foreign and Domestic Commerce, local chambers and boards of trade, refer to the book "Trade Associations and their Activities" (85¢ Government Printing Office), also Model Code issued by the N.A.M.

Q. What broad rules can be laid down as by-laws of trade associations in order that their scope may be sufficient to cover all phases of the law? A. National regulations not yet laid down, but read the law carefully, also Bulletins 1 and 2 of the NIRA. The primary requisites are for social improvement, minimum wages, and maximum hours.

Q. What does the Administrator wish included in a code of fair competition? A. Primarily minimum wages and maximum hours. Minimum wage may vary regionally, but must offer a "decent standard of living." Control of below-cost selling should also be included. Other regulations should be made according to the industry and its labor and distribution problems.

Q. Will the Administrator supply current lists of trade associations which have been approved? Will codes be published or made available for inspection? A. Yes.

Q. Will the Administrator issue regulations definitely classifying the various industries in fixed groups? A. No.

Q. What will be the procedure for an industry group in doubt as to its affiliation with two or more associations? Would it be possible for it to cooperate with both? A. Certainly. Many industrial groups will find affiliations with several associations not only desirable but inevitable. This is not as complicated as some fear. Common sense will be used.

Q. Will intra-state manufacturers fall within the NIRA? A. It is difficult to conceive of any important line of business which eventually will remain outside. Small cases where business neither enters into nor affects interstate or foreign commerce will not be touched. Large business even though theoretically confined to intra-state commerce must inevitably affect both interstate and foreign trade and therefore come within the law.

Q. Will an association representing a specialized branch of a major industry be obliged to comply with the regulations established for the industry as a whole? A. If the major code is approved by the Administrator, yes.

Q. In an industry having separate trade organizations for manufacturers, wholesalers, and resalers, should a joint code or separate codes be formulated? A. A joint code with separate divisions pertaining to each would be extremely desirable. Each division would be in effect a separate code but inclusion in one master code would provide an opportunity for eliminating conflicting provisions.

Q. Will the Administration give assistance to trade groups to help them organize where some form of organization does not exist? A. It will lend full counsel and advice. Consult also the National Association of Manufacturers, Chamber of Commerce of the U. S., Bureau of Foreign and Domestic Commerce, and local chambers.

Q. What are the provisions for trade associations to get statistical information from unwilling members and non-members? A. The law provides power to require needed information. An appeal to common sense, reason, and interest will be made first. In extreme cases unwilling members may be adjudged guilty of unfair competition and there the law has teeth.

Q. How can an industry or trade association bring in non-members unwilling to assist in formulating or following a trade association code? A. If the trade association is "fully representative"—a substantial majority both by volume and number—its code, when accepted by the President, becomes the code of fair competition, binding on all, with violations punishable by fines. The great power of public opinion will be marshalled first to bring recalcitrants into line.

Q. On what basis will a trade association be judged truly representative of an industry which has within it several large associations of varying character and purpose? A. If it represents numerically and by volume a substantial majority (75% or more). No definite rule is possible. The coordination of the various elements within an industry is entirely an industry problem.

Q. What is the proceeding by which an association may hold a trade practice conference? A. That is up to the industry. The Administration will not prescribe rules for association procedure. It will lend advice and counsel. Consult the Federal Trade Commission, whose trade practice conference procedure is already well established.

Q. Will the government force a trade code on an industry? A. The President has the power, but will rely at first largely on the vast power of public opinion.

Q. Should industries whose products directly compete with each other jointly submit codes, or harmonize their individual codes prior to submission? For example, competing building materials, competing textiles, etc.? A. Yes, wherever possible.

Q. Is it desirable that on general subjects, such as arbitration, credit, cash discounts, foreign trade, etc., there be uniform provision to appear in the codes of different industries? If so, how may this be accomplished? A. Yes. The mechanics will be provided later.

Q. How far is a truly representative

group obligated to consult non-participants before a code is submitted? A. All non-members should be consulted. The Administrator will give "full and adequate notice" of hearings to be held to allow for representation of dissenting minorities.

Q. What action should be taken by enterprises excluded from an existing trade association on the ground that their products are not similar to those manufactured by member companies, for instance, a product made from different materials, or products, in different fields but directly competing with each other? A. By the terms of the law, Section 3a (1), the Administrator will see to it that "associations or groups impose no inequitable restrictions on admission to memberships." If the exclusion is equitable, the excluded enterprises should form an association of their own.

Q. In an industry having two groups of manufacturers, one selling direct and the other to retailers, may each group formulate codes? A. Yes, but coordination should be attempted.

Q. Will the Administrator permit "regional" control associations? A. Probably eventually, and wherever necessary, but this is largely for industry organization.

Q. Will local organizations of enterprises engaged in an industry with only intrastate business and which do not compete with interstate commerce, be permitted to establish codes of fair competition? Will they be encouraged to do so? A. If entirely engaged only in intrastate business which does not affect interstate business they will not be expected to file individual codes but may of course enter into agreements among themselves insofar as such agreements do not contravene provisions of their own state law.

Q. What will be the effect of the law on associations of other than American concerns, for example the West Coast Lumbermen's Association, which includes Canadian members? A. The act is designed to aid American business. Industry will have to decide its own membership. It should be pointed out, however, that control can not be legally applied to industries outside the jurisdiction of the United States.

Q. The National Ready Mixed Concrete Association asked whether their industry was eligible to organize under the NIRA, in view of the local character of the business of its members? A. How far down the line in all business the law will be practically applied can not now be foretold. Certainly the law covers all lines for long range planning.

Q. Can associations require a deposit which may be forfeited in case of violations of codes or agreements? From members? From non-members? A. This is entirely an industry matter. It may set up such policing features as it deems necessary.

Wages and Hours

Q. What factors are to be considered in the fixing of wages? A. No fixed figure as yet. The actual policy is in process of evolution. The Chamber of Commerce, Department of Labor, American Federation of Labor, all can help. The Labor Advisory Board of the Administration will pass on the provisions and assist the Administrator at hearings. A minimum set rate for the lowest class only, is deemed feasible at present. Regional differences will be allowed, depending on the cost of living.

Q. May or should an industry use levels of any previous year as a basis for restoring wages, costs, and sales prices? If so, what year is to be used? A. No. But it would be advisable to consult the Administrator and the Department of Labor in specific cases.

Q. Should an industry formulate a trade code if its hours and wages are fair and it seeks no favors of the government? If it does not form a code what happens? A. If present hours of labor and wages are mutually satisfactory and fair, they can be made the basis of the suggested code. The government will not at first coerce industry but will marshal public opinion and use persuasion.

Q. If an industry submits a code, can it organize a company union and oppose outside union control? A. Company unions may be organized but no employer shall force any employee to join such a company union as a condition of employment, nor may an employer interfere with voluntary association in or with any group or union of the employees' own choice. But the Administration's labor policy will be based on fairness and common sense, with justice to all, and recognition of the rights of all.

Q. Is it necessary to consult labor in drafting a code containing hours of labor and minimum wages? A. It is not necessary but it would certainly seem advisable to consult the Department of Labor and the Administration's Labor Advisory Board.

Q. Can an industry work out hours of labor on a yearly average? For example, could the code provide for peaks of 44 hours a week with 32 as the annual average? A. Preferably on a 6-month average. A 32-hour average with 44-hour peak seems the favored goal. It will largely depend on individual industry agreements with the Administrator.

Q. Does the minimum wage apply only to skilled labor? A. Likely to lowest class only, but wages of all labor and small salaried classes must be correspondingly protected. Variations for skill, experience, etc., will depend on "common sense and common justice."

Q. Should the labor provisions of codes, including minimum wages and maximum hours provisions, apply to office workers, sales forces, etc.? A. There are certain types of office workers to whom the provisions might apply. Individual industries will have to make individual regulations.

Q. Will minimum wage regulations be applicable to persons employed on a piece rate or commission basis? A. Minimum wage regulations will be applicable to piece-rate employees when set up on a daily, weekly, or 4-week basis.

Q. Will the minimum wage be the same for an accessory or supply company as for manufacturers in the same locality? A. This is largely a matter of the individual industry. Generally yes, for the lowest type of unskilled labor, with differentials allowing for different costs of living.

Q. Is provision for reserves and particularly unemployment reserves desirable in codes? A. Yes, very desirable.

Quotas and Problems

Q. What is the Administration's policy regarding production quotas? A. If acceptable to a substantial majority of the industry, and done to protect present employed labor, production quotas will be allowed after due hearing and full examination.

Q. May an industry propose to close some plants in an industry where overproduction exists, and if so, what basis should be used in determining the plants to be closed? A. Generally speaking, there is no overproduction in manufacturing. There is *over capacity*. Agreements not to sell below costs will automatically close high-cost plants in industries where excess capacity exists.

Q. May or will industrial plants in any industry be restricted as to total hours the plant can be operated? In other words, is there any reason why a plant cannot operate 24 hours a day if its industry has no objection thereto, even though other plants operate only one or two shifts? A. Yes. The idea is to create work wherever and whenever possible.

Q. What types of industry will come under the NIRA as opposed to the Agricultural Allotment Plan, and can an industry act under both? A. There is no definite line of demarcation. Some fall under both. Doubtful cases will be determined by the Secretary of Agriculture, the Administrator, and with the President as the final arbitrator.

Q. Would pledges to employ an increased number of workers entail some agreement to limit production? If so, how should this limit be arrived at? A. Not necessarily. But in general it is a problem for industry to work out. If a satisfactory agreement can be worked out, acceptable to a substantial majority of the industry, it may be approved. It will depend on the individual merits of the case.

Q. Could companies be compelled to curtail manufacturing when they had a certain supply, such as a two-months production in the field? A. If done with the approval of the substantial majority of the industry and as part of the approved code, yes.

Q. Could two or more companies centralize their sales departments? A. This is a minor question wholly within the domain of the industries' self-regulation. But if done to reduce employment, it would be frowned upon.

Q. Will the law affect service industries, such as the hotel industry, and as applied to the National Association of Direct Selling Companies? A. Eventually, the law will apply to all lines of business. It will not immediately be applied to minor lines. Actual "control" may never be invoked in very small or in minor isolated cases.

Q. What is the policy regarding prison-made merchandise? A. The question has not assumed large practical importance as yet. It will be dealt with later. It is a problem of long standing and can not be solved out of hand.

Q. What action should be taken by a company having a monopoly on a patented product in the absence of any existing trade organization representing any related products? A. To comply with the spirit of the law and to forestall the possibility of codes being arbitrarily imposed by the Administrator, associations and firms having a monopoly or patented products should file codes under the law.

Q. What restraint, if any, will be applied to new enterprises wishing to enter an industry where the code has been approved? A. None. The law provides that "such code or codes shall not permit monopolies or monopolistic practices."

Price Fixing

Q. What is the policy regarding price fixing? A. Price fixing is not now encouraged. Some fixing will be inevitable, but industry will be asked to bear the initial cost of the increased cost of production. Purchasing power must catch up with present costs. Price *control* will be the first step.

Q. Will price fixing be permissible under the law? A. Price fixing will be frowned upon except in special cases. Price *control*, to prevent below-cost selling, is desired, and will be encouraged.

Q. What effect will the new law have on resale price maintenance? A. This is not a major, practical problem at the present time. Resale price maintenance would appear to be permitted under the law.

Q. Can we compel advertising of delivered prices? And what is included in base price? A. This is largely a matter of industry control. The Administration cannot enter into details of this type at the present time.

Q. Could we compel maintenance of advertised prices instead of permitting secret trade allowances which are not given to all customers alike? A. This is largely a matter for industry's self-regulation. If a part of an approved code, a violation of the regulation would constitute unfair competition.

Selling Problems

Q. Can there be agreements not to sell below costs? Can such agreements be made by manufacturers? By distributors? Jointly? A. Yes. Agreements not to sell below costs can be made by manufacturers and distributors and by both jointly.

Q. Is it advisable for wholesalers (or retailers) in a given line of business to prepare and present codes of fair competition, without waiting for action by the manufacturers, retailers (or wholesalers), or others in the same line of business? A. It might be desirable, but coordination with other groups should first be attemtped.

Q. How are wholesale and retail organizations to set up agreements relative to production, working hours, wages and prices? A. This set-up is not yet clearly defined. Some could be formed vertically with manufacturers, some horizontally covering the entire distribution field. The first problem is one of "full representation" within the meaning of the law.

Q. If price scales are agreed on by wholesalers and retailers how can trade be assured that the agreements will be kept? A. The policing of accepted agreements is up to industry. Nonparticipants should help bear the cost of policing. Full recourse to the Administration and to the courts is provided to obtain final action. Industrial arbitration or an adjudication board might be the solution in most cases.

Q. Would a retailer selling many diverse lines of goods be subject to the provisions of codes established by associations representing manufacturers of these goods? A. Conceivably yes. Practically, the problem is not a complicated one. A broad general code will cover it.

State Laws

Q. What is the relation of the NIRA to state anti-trust laws? Will the new law legalize practices which are illegal under state laws? A. State anti-trust laws in some isolated cases apparently conflict. Special "enabling legislation" may be needed. The state attorney-general and the Attorney-General of the United States should be consulted.

Q. Will there be a need for state laws supplementing the NIRA law? This has reference to enabling legislation. A. Probably not, except in such special cases where it may be necessary to provide state action to suspend special state anti-trust laws and others. The state attorney general should be consulted.

Retailers

Q. Can retail dealers organize associations, formulate codes, control price deals and allowances, and enforce trade practices? A. The place of the retailer is not yet clearly defined, but it is inconceivable that any large aggregation of business should not affect interstate commerce. This is not an immediate concern, but will become an increasingly important factor 4 to 6 months hence.

Q. What about intertrade competition as to hours of labor or as to hours of opening and closing? Drug stores are open 18 hours or more, hardware stores 8 to 10 hours. A. Eventually to be worked out on the broad basis of industry itself. All evils of all trades cannot be cured immediately.

Q. What is the relation of retailers engaged solely in intrastate trade to the provisions of the new law? A. This is not yet clear. It is hard to visualize an important body of retailers outside of the law, even though confined to business within any state. The law says "in or affecting" intrastate commerce.

Foreign Trade

Q. What control will there be of imports? A. The President is empowered to raise duties to equalize any increase in cost of production of American goods. Note that the law specifies that it applies to commerce "in or affecting interstate and foreign commerce."

Q. What is the policy regarding the effect of the NIRA on export trade? A. "All business entering into or affecting interstate or foreign commerce," says the law. Hours of labor, minimum wage scales, etc., apply to goods made for export. Prices agreed upon for the United States need not, however, be also agreed upon for foreign commerce.

Organizing Public Works

A control staff in Washington will operate through 47 district administrators, aided by Army engineers. Sawyer "temporarily" the boss.

ANY man who has built a house or a factory or a bridge, stands appalled at the work involved in the government's $3,000 million program for public works. The national coordination and control of this work will present one of the most difficult organization jobs ever attempted by a government in other than war times.

Preparation for putting the National Industrial Recovery law into effective operation began a month ago with active planning and paper work. To develop the public works section of the program, there has now been set up a separate staff, split into two divisions. One will deal with highways, rivers and harbors, and federal works in general; the other with city, county and state public works, other than highways, and with housing and private construction for public use.

Spalding Setup Changed

Both were to be headed by Col. George R. Spalding, division engineer of the Upper Mississippi River Division of the War Department and member of the Mississippi River Commission. Colonel Spalding had taken personal charge of the Federal Works and delegated state and municipal work to Col. Henry M. Waite, general manager of the Cincinnati Union Terminal Co. and former city manager of Dayton and Cincinnati respectively.

On top of this, President Roosevelt announced last Saturday a special board of public works consisting of the Secretaries of the Interior, War, Agriculture, Commerce and Labor Departments, the Attoney General, the Director of the Budget, Assistant Secretary of the Treasury Robert and Colonel Spalding. And, upsetting the original program, he also appointed Col. Donald H. Sawyer "to exercise temporarily the office of Federal Emergency Administrator of Public Works." Colonel Sawyer has been for 2 years director of the Federal Employment Stabilization Board, coordinating the construction work of 120 odd federal agencies, and before that was secretary of the Associated General Contractors of America, and with the Heating Board of Trade of New York City.

All Departments Used

To mobilize an immediate program for federal public works, all the government departments were drawn on and here the structure of a coordinating staff is at hand. Carefully selected projects ready to go ahead total close to $400 millions, with only a few post offices included.

The biggest job will be the handling of the state and city public works, of which lists have been compiled through the governors, mayors, and other local executives. Complete skeleton organization plans have been worked out for the operating staff of this division. The purpose is to decentralize authority and avoid the danger of bottlenecking the work in reviewing offices. So 47 district administrators have been established, roughly one to each state, each having his own financial, legal and technical advisors, accountants, and inspectors. To relieve them of the burden of disbursing responsibilities, local disbursing officers of the army corps of engineers will make payments on the vouchers of the district administrators. Each district administrator will also appoint an advisory council of private citizens of outstanding character.

Auxiliary to this direct line organization, are 10 regional or divisional groups with a field engineer and a division examiner in Washington to expedite the work. There is also a housing division and a division of private projects that will deal with the several hundred projects remaining in the hands of the Reconstruction Finance Corporation, where responsibility of construction has been abolished by the Recovery Act.

Can Make Quick Decisions

The system is keyed to quick adjustment of legal, financial and technical complications. District administrators are direct representatives of the chief administrator and exercise his full power. They will make all decisions and carry out all contracting and supervision in their territories, subject only to the veto of the chief administrator.

These men were instructed by telegraph to set up their offices, with the assistance of the district offices of the Army Engineer Corps. They will be located in federal or state buildings and connected with Washington by teletypewriter. They will personally select an assistant district administrator, two emergency examiners, an office manager. These appointments are not governed by civil service. Two stenographers, two file clerks, one auditor with two assistants, and a teletype operator, will be appointed from civil service lists. Technical advisors will be retained as required at $25 a day. All appointments must be confirmed by Colonel Spalding, and office and travel expenditures authorized by Washington.

Acme

"TEMPORARY ADMINISTRATOR" —Colonel Spalding's appointments, made on merit, raised a row politically, so Roosevelt appointed Colonel Donald H. Sawyer "temporarily" to handle the public works program while he cruised to Campobello.

Jobs Before Sunrise

Pre-recovery plan pickup in employment, payrolls, and wage rates lifts purchasing power near last year's.

SECRETARY PERKINS issued a warning when the May records on employment and payrolls turned out exceptionally favorable. She was evidently alarmed that the public might gather the impression that the depression was entirely relegated to history by a 4.8% gain in employment and a sharper rise of 11.5% in payrolls during May. In past years, manufacturing establishments reporting to the federal government and employing 50% of the total number of wage-earners in all manufacturing industries used to reduce their help and consequently their payrolls in the late spring months as business activity began to slacken. But after hitting the bottom twice in the past 12 months—in July, 1932, and again in March, 1933—employment staged a surprisingly strong

recovery that almost eliminated losses since a year ago. Even the American Federation of Labor conceded that more than 600,000 men were reinstated during April, and a like number must have been added to the ranks in May and June. But payrolls in manufacturing industries were still less than 39% of what they were in 1926 and the average weekly wage was only $17.40.

Luxury Lines, Too

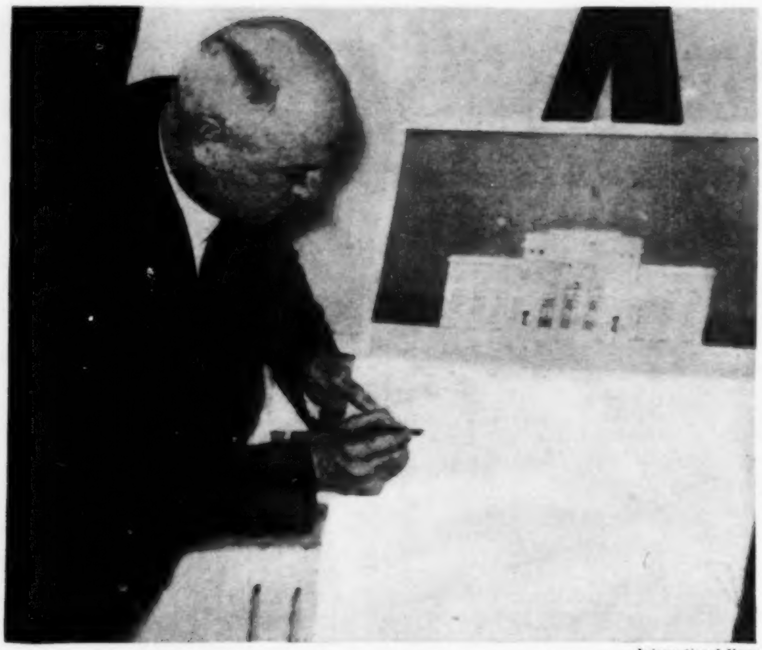
Current data reveal a significant broadening in business activity, extending beyond the heavy industries of steel, motors and textiles into the equipment and luxury lines. The comeback of beer necessitated the installation of dispensing apparatus in nearly every town and hamlet. Demand for plumbers' supplies gave this industry a break, forcing a 25% increase in staff. It probably reflects modernization of old structures as well as a revival of new residential and non-residential building activity. Radio, woolen, and worsted concerns added 21% more workers during May; aircraft factories, nearly 19%; beverage producers, 16%; cigar and cigarette makers, 16%; brick manufacturers, 14%; turpentine concerns, 13%; leather fabricators, 11%. Other lines that found buying stimulated by the threat of higher prices or the belief that the turn in business affairs had at last arrived included tires, silk, rayon, furniture, paints and varnish, carpets, shipbuilding, brass, glass, sawmills, clocks, meat, and typewriters. In fact, only 17 of the 89 manufacturing industries covered failed to report an increase in employment, and only 8 failed to show higher payrolls. In most of these, seasonal factors explain the decreases.

Wages Better

Better employment conditions than a year ago were found in 33 industries compared with 12 in April, and 2 other industries report that last year's level has been reached. Twenty-six industries had higher payrolls than in May, 1932, these having been boosted both by the increase in number of employees and by the lengthening of working time.

Confirmation of the scattered company declarations of wage rate increases may be had from the federal reports which indicate that 48 manufacturing establishments granted at least a partial restoration of former scales. This is the largest number of firms to report increased rates since January, 1930. Wage cuts have not been eliminated, but firms reporting them were fewer than in any month since December, 1930. Among non-manufacturing industries, 35 concerns in 9 of the 16 industries surveyed gave rate increases.

New York had an unusual May gain of 3.2% in employment and 5.8% in payrolls with construction supplies, steel products, furs and textile goods registering the sharpest gains.



International News

P.O. O.K.—Postmaster General Farley puts his approval on new federal buildings, construction on which has just been released. Included, are a federal office building for New York, a new post office for St. Louis.

Job-Getting

Miss Perkins and Mr. Persons aim to make a national market for labor with federal-supervised agencies to find the right man for the job—and vice versa.

COMPLETE organization of the labor market is the goal set for the new U. S. Employment Service by Miss Perkins. She doesn't refer to trade unionism but to a job analysis and placement system that will send properly qualified men to the jobs where they are needed, save others from pounding the sidewalks, and save fees paid to private employment agencies.

To develop this system from a chain of federal-supervised state employment agencies, Miss Perkins has put W. Frank Persons in charge. Persons is a Harvard lawyer who has been in welfare work since 1914, when he joined the Charity Organization Society of New York City. After serving the American Red Cross as director-general of civilian relief during the war, he was associated with several industrial firms as a specialist on industrial relations, and recently with the American Public Welfare Association as field representative.

No "Paper" Plans

He is not kidding himself about his job. If President Roosevelt's recovery drive goes over the top, 4 million men, says he, will go back to work, with or without the intervention of the U. S. Employment Service. Persons does have ideas on gearing the new service in with the industrial recovery and public works programs, but he doesn't intend to look foolish by announcing any extravagant "paper" plans.

The objective is a countrywide free employment exchange that will gain the confidence of employers, and thus become, in time, the main channel through which men and jobs will be connected. Mr. Persons will be assisted by Miss Mary La Dame, the former supervising director, who is thoroughly grounded in the technique that will be followed. Young Mr. Robert M. Hutchins, president of the University of Chicago, will serve as chairman of an advisory committee of employers, employees and others, including Frederic Delano, President Roosevelt's uncle. Secretary Perkins regards Mr. Hutchins as "a neutral with a social point of view." Mr. Persons also will seek cooperation of private non-fee services supported by fraternal and philanthropic organizations.

With the funds contributed by the federal government on a 50-50 basis, as provided in the Wagner law, the states will set up and staff the employment agencies. Politicians charged that this would lay the system open to politics, but Miss Perkins reminds them and now desires employers to know that no state agency will receive funds until its organization plans are approved and the qualifications of its personnel examined.

The principal weakness of public employment services has been the lack of personnel trained in job analysis. Too often, a laundry that has asked for a shaker has met up with a furnace man. Job analysis is the fundamental step towards placing the state agencies on an efficient operating basis. Another essential is the maintenance of "live" records, thus correcting the hit-or-miss system by which the last man who has walked into an agency gets the job, or at least gets the call when it comes in.

Interstate Exchange

A responsible executive in each state agency system will be appointed to contact with headquarters in Washington, and regional offices will be set up by Director Persons to facilitate interstate exchange of labor supply.

Miss Perkins states that there is the making of a good system in the 24 states that now have some sort of public employment agencies. Practically all of them have signified their intention to operate under the provisions of the Wagner law. The Connecticut and Minnesota legislatures have already adopted the provisions of the act. Wisconsin and California are expected to follow next month and Indiana has submitted its plan, pending legislative ratification. The law authorizes the Department of Labor to set up agencies in states where both an existing agency and proper legislative or executive authority are lacking. This will be done with the idea that such states eventually will take over agencies established.

Exit the Fee

Miss La Dame anticipates the complete absorption of private fee-charging agencies, but obviously this is still a mark at which to shoot. The initial appropriation that must cover the federal government's expenses and contributions to the states during the first year of operation is only $1.5 millions, in later years $4 millions. Out of this must come the administrative budget of Washington headquarters and the expense of maintaining specialized veterans and farm labor services, also an employment agency for the District of Columbia. This will be a model office similar to the "demonstration" offices that have been maintained in New York, Philadelphia and Rochester.

The objective of Miss Perkins and her staff is to build an efficient organization that will fill the needs of both the employer and the worker. On all labor questions, the system will be strictly neutral. For example, no man will be sent to a plant where a strike is on, without being told.

S. O. Cal. Banks

Standard Oil openly invests in preferred stock of San Francisco banking chain.

STANDARD Oil of California plunges into the banking business by underwriting $5 millions in preferred stock of the Anglo-California National Bank of San Francisco. Partners are the Fleishackers, Herbert and Mortimer. The underlying idea is to permit Anglo-California to divorce its security affiliate, Anglo-National Corp., and give the bank funds with which to purchase the 16 California banks in which Anglo-National has held controlling interest. All this fits in with the new banking law. The Fleishackers figured it all out ahead of time. The only interest in the deal, to the general public, is the revelation of the fact that Standard Oil of California has been there all along.

Ickes Climbs Down

Boulder Dam cement is purchased for 2c. less plus a few brave words.

BOULDER Dam gets its 400,000 barrels and the somewhat celebrated case of Ickes vs. Cement (*BW—June17'33*) is settled. The Secretary of the Interior has announced that a contract has been awarded jointly to the California, Monolith, Southwestern and Riverside Portland Cement companies at $1.40 a bbl. He stated that bids were twice rejected at his order because the price seemed too high and that "notwithstanding the storm of protest that to his mind indicated an organized campaign to weaken the resistance of the government," he had insisted that a lower price was possible and proceeded to study plans for building a government plant. But the cement companies expressed a desire to meet the wishes of the government, he said, as is proved by the concession in price.

Then the statement compares the contract price with the original bid of $1.55 a bbl. and claims a saving of $52,000. But it neglects to explain that the bid of $1.55 was for grade No. 1 and the contract was let for grade No. 2, a special low heat cement on which the original bid was $1.42.

So after having pilloried the cement industry as unpatriotic and having threatened to build a government plant further to depress the prevailing standard price, at the moment when President Roosevelt was counseling industry to put itself on a paying basis, it would appear that Secretary Ickes has accepted a very small concession to save his face —2¢, or in actual money on the price bid for *this grade*—$8,000.

The "New Deal in Banking"

One possibility under the Glass-Steagall Act is to liquidate deposits in closed banks and provide new banking facilities. Far-reaching changes are in the offing.

THE newly enacted Glass-Steagall banking law contains provisions that will have far-reaching and revolutionary effects upon our banking system. What made the passage of the act urgent was the immediate aid it would give to depositors of many closed banks throughout the country, and the support it provides for banks that again began to wabble in spite of having been licensed to open after the bank holiday. Most of the failed banks have not yet been liquidated, and the freeing of the assets they still hold would be an important contributory factor to the business revival the Administration is fostering.

Relief to depositors in closed banks is provided in the new banking law by the provision that the new Federal Bank Deposit Insurance Corp. (which is to be organized by Jan. 1, or sooner if the President issues a proclamation) may purchase or make loans on the assets of the closed member banks. The Administration's tardiness in reopening banks has been severely criticized (page 23). There will be an effort to get the President to put the insurance plan in effect as early as possible, but it is known he is not a deposit insurance enthusiast.

Moreover, the reorganization and the reopening of closed banks may also be facilitated by the deposit insurance provisions, and thus provide banking facilities for areas now suffering from lack of them. Confidence in these new banks and, in fact, in all banks, will now be maintained because all banks will be eligible for temporary insurance on all deposits up to $2,500 from the date of the President's proclamation and, in any event, from January 1 next to July 1, 1934. After July 1, 1934, the banks will be subject to permanent deposit insurance provisions of the law giving 100% deposit insurance on deposits up to and including $10,000.

Branch Banking

Another provision that may prove immediately helpful is that permitting statewide branch banking in states that now permit branch banking to state chartered institutions. In 9 such states these provisions will become immediately effective and no doubt will have considerable influence in providing banking facilities and banking institutions in areas now undersupplied. In a number of other states there is under consideration legislation extending permissive branch banking to state institutions, thereby providing the same facilities as for national institutions. Sixteen states permit branch banking within limited areas and under limited conditions. In these states, national branch banking will be permited in these areas and under these conditions.

The long-term effects upon our banking system and our banking practices are more difficult to forecast. Wall Street banks most bitterly oppose the deposit insurance provisions in the new bill. They regard them as dangerous and look upon them as creating an unlimited liability for the large banks to protect the deposits in the small banks. There is talk of secession from the Federal Reserve system, and in one or two banking offices, where the conclusion was reached that Congress might enact legislation making it impossible for the large banks to withdraw from the Federal Reserve system, they were even talking wildly of liquidation. However, it is extremely unlikely that any banks will liquidate or that many banks will secede from the Federal Reserve system. Only the large commercial banks with unquestioned prestige and large resources would be able to stand alone, even if they were permitted to do so. Large banks appreciate perfectly that a short and snappy bill could wipe out secessions and punish seceders.

Forces Reserve Membership

On the other hand, the same deposit insurance provisions will force non-member banks into the Federal Reserve system. The most formidable test of the new law will come after the temporary guarantee provisions have expired, when a showdown, disclosing which non-member banks have been unable to secure membership, will be necessary. Those in the know argue that thousands of non-member banks are operating which could not pass the test of membership. The questionable future for thousands of small banks throughout the country which cannot qualify for membership in the Federal Reserve system under the deposit insurance plan will bring about (in connection with the branch bank provisions) probably one of the most revolutionary changes in our banking system. The choice is between extinction and membership. Extinction will make branch banking necessary.

Aside from their troubles with respect to the deposit guarantee provisions, the large banks of New York look ruefully at the prospect of having ultimately withdrawn out of town deposits of correspondent non-member banks held as reserves in the large city banks. According to the latest Federal Reserve statement, New York commercial banks hold $1.4 billions of deposits of other banks. The shifting of such deposits, even when spread over a period of a year, would impose great strains upon the New York banks and would have important deflationary consequences by forcing New York banks to call loans and liquidate their assets. The Federal Reserve banks will have to handle this problem gingerly, and it may be necessary to accompany the change by large open market purchases.

Even the process of joining the Federal Reserve system by a large number of small non-member banks, who would have to subject themselves to rigid examination in order to be eligible to participate in deposit insurance privileges, would necessitate much liquidation in the interior, and from that standpoint also would have a deflationary effect. On the whole, there is great danger that the interior banks will engage in a competition for liquidity, a danger that the Federal Reserve system must be prepared to neutralize.

Divorcing Affiliates

The realignment of the security business involving the divorce of the security affiliates from commercial banks, the relinquishment of security dealings by some private banks and deposit business by others, also will bring far-reaching changes. The most important security affiliates in the business are those of the National City Bank, the Guaranty Trust Company and the First National Bank. These must be disposed of or liquidated. What the new lineup will be is difficult to forecast. Wall Street right now is wary about the whole security business, largely because the provisions in the new "truth in security" act are not yet well understood.

Private Banking Deposits

Then there is the provision which prohibits investment bankers from accepting deposits. Private bankers have not yet decided what they will do on the choice given them between giving up the security business or giving up the deposit banking business. The officers of J. Pierpont Morgan & Co., and Kuhn Loeb & Co. have declined to make statements although it is unofficially discussed that the Morgan firm will accept deposits and will go out of the business of the issuing of securities. Morgan partners have testified in Washington that they consider the deposit business more lucrative but their reputation is built on the security business. Such firms as Lehman Bros., Dillon Read & Co., and Goldman Sachs & Co. consider themselves unaffected because they have little deposit business.

On the whole the 34 sections of the Glass-Steagall bill have effectively tightened many loopholes, have devised

more rigid supervisions of the capital structure and the investment policies of the banks, and have laid a foundation for far-reaching changes. Revolutionary as these changes appear now, it is still a question in informed circles whether these provisions go far enough in providing for an adequate and safe banking system that will emit commercial credit in sufficient volume and continuity to protect American industry, agriculture and commerce from the recurring depressions that accompany credit deflation.

Closed Banks

More than 1,100 member banks and 3,900 others still are closed, tying up $5 billions in deposits, and criticism of Administration inaction grows.

WASHINGTON—More than 1,100 member banks of the Federal Reserve System still are closed. Only 400 have been reopened since the end of the bank holiday.

Moreover, the Treasury, the Federal Reserve Board, and the Comptroller seem cold and indifferent toward any of the plans proposed for speeding up the process of releasing billions of dollars of frozen deposits.

A storm was gathering in Congress, particularly in the Senate, over this issue. The Administration escaped a scathing attack only because of the legislative jam at adjournment. Since adjournment, the dissatisfaction has been increasing. Senators point out that the whole program of the government is to raise prices and stimulate business activity. Release of frozen deposits would enable recipients to play their part in business revival; meanwhile, their dollars are becoming less and less valuable as the price level rises.

Another way to look at it is that an inflation may so greatly increase the value of bank assets that many of them automatically will become liquid again, without further assistance. It might be argued that it would make little difference whether depositors eventually got all their dollars, when their purchasing power had declined to 70%, or 70% of their dollars when the purchasing power of the dollar was 100. But while they wait, they cannot use their money, there is no escaping that point.

No government department will supply figures on the amount of deposits in closed institutions. Vincent Bendix, industrialist, and Frank H. Schrenk, Philadelphia banker, sponsor an estimate that $5 billions is tied up in 5,000 closed banks—1,100 member banks, and 3,900 non-member. That is more purchasing power by 50% than will be released by the whole $3.3 billion public works program of the government.

The slowness with which the government is moving may be read in the figures. Mar. 29, there were 5,387 member banks open and 1,307 closed. May 3, 91 more had opened, making 5,478; while 1,211 were still closed. Perhaps 100 more—20 a week—have reopened since.

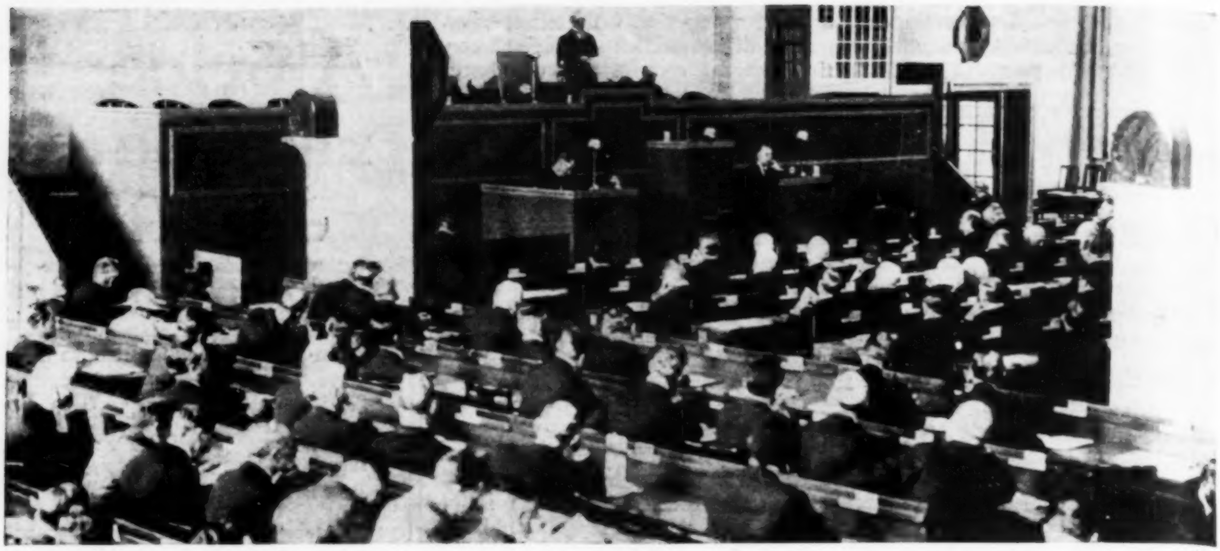
Senator Vandenberg (Mich.) is bitter because the Treasury would not adopt the Michigan plan, so called. It would divide the assets of a closed bank into 3 parts: (1) liquid assets, payable immediately to depositors; (2) slow assets, known to be sound—payable to depositors in scrip for local circulation; (3) doubtful assets, the security behind a special preferred stock, to be retired when and as possible.

Some estimates give 60% of closed bank assets as belonging in class 1. Obviously, the Michigan plan would release a vast amount of buying power at once. The estimate is based on reports from state bank authorities to various senators.

Secretary Woodin threw the Michigan plan right out of the window. Proponents never were given any good reason. They conjecture the Secretary felt it might kill forever a lot of small banks. The Michigan plan, of course, would hang a big sign on the front of every bank proclaiming its condition, the minute the percentage of slow and dubious assets was announced.

The Comptroller's office has been doing about the only constructive work; it has been doing its utmost to persuade some of the larger banks to take over smaller institutions that are full of "good, but slow" paper. This takes time, and delay is what irks critics. Usually such plans necessitate a certain amount of public subscription to stock. A roaring bull market has seemed to many investors a lot more attractive place for their money.

Reinforcing the angry senators, the National Depositors' Committee has just appeared on the scene, headed by Mr. Schrenk, with Mr. Bendix participating as representative of the Committee for the Nation. Its plan is for the R.F.C. to take over the sound assets of closed banks and pay the depositors at once. So far, it has been greeted no more cordially in official quarters than advocates of the Michigan plan.



Acme

WORLD ECONOMIC CONFERENCE—First picture of the sessions in London shows Prime Minister MacDonald making his opening speech to delegates of 66 countries. Microphones and loudspeakers add a modern touch to the meeting.

Progress in London

Through the clouds of pessimism there is a ray of hope in Britain's move to cooperate in a general price-raising program, in repeated demands for restricted production.

MUCH of what is said in the formal sessions of any great conference, and a very great deal of the material ladled out to "the press" by carefully controlled press bureaus needs to be sifted by a neutral authority before the true trend can be determined.

Never was this more necessary than this week at the World Economic Conference in London. European correspondents for *Business Week* attempted to do this, found that accomplishments could be summarized quite briefly, and that results were probably less pessimistic and less confusing than indicated.

News Is Controlled

In the first place, the British seem to be pretty well in charge of all of the news released to the press. Until the middle of the week they were swayed in their reports by a prejudice in favor of the French stand for currency stabilization and against what they termed the "divided and very uncertain" stand of the American delegation. It was the typical defensive sort of attitude which might be expected when well-informed authorities in both countries had admitted before the conference that the United States held a very strong hand with at least several sure tricks.

Then came the proposal from Britain's shrewd Chancellor of the Exchequer, Neville Chamberlain, stating that it was "vital that wholesale prices be raised to a level sufficient to yield a return to producers of primary commodities, and to restore the world's economic equilibrium." To accomplish this lifting of world prices, the keeper of the British treasury suggested that central banks throughout the world cooperate in a policy to provide cheap and plentiful credit through open market operations by central banks.

As *Business Week* pointed out last week, Great Britain has a special interest in raising prices on basic commodities. Various members of the Empire are among the largest producers of half a dozen raw materials. Much of Britain's prosperity depends on their prosperity. British loans can be paid only if debtors can sell their produce at higher prices.

The move by Mr. Chamberlain definitely shifts the British stand toward the American. Complete accord probably will come only after considerable bargaining, during which the British will no doubt continue to urge currency stabilization. The really healthy sign is that bargaining has started, and that delegations will alter their stands if they get something in return.

A second ubiquitous development has not yet taken definite form. In almost every group there is talk of the need of "controlled production." It is not surprising. Controls have been set up in almost every country. In some they have been more successful than in others. In a few cases—rubber and tea particularly—international controls have for some time been seriously discussed despite the fact they failed when tried a few years ago in an unrestricted competitive world. It seems that all 66 nations represented at the conference will be ready to talk business when the meeting gets down the agenda to "production and distribution."

Beyond these 2 developments, there was little that is significant. Mr Hull's personal proposal that there be a flat 10% tariff reduction looks no more feasible to the London Conference than it did to President Roosevelt. Senator Pittman's proposal that all countries agree to reduce the gold cover of their currencies from 40% to 25% with the option of using silver as one-fifth of the cover won a fair hearing. It would fit in with any plan for currency expansion. Finally, the Soviet delegation proposed that nations "withdraw, irrespective of the motives underlying them, all legislative and administrative measures having the nature of economic aggression or discrimination against any country." Nationalism is still running too high in the conference hall for them to get much of a hearing on such a proposal, practical as it is.

There Is Progress

Despite the first gloomy reports, a good deal can still be expected from the conference. As least, the general public is getting a clearer understanding of the world's ills. And it must not be forgotten that many of the governments represented at the London meeting can stand only if they bring home something concrete to show their electorates. This constant pressure is likely to dissolve many hot-headed proposals to "give up and go home."

Business Abroad

Conference uncertainties retard business recovery. Price-raising policies get wider backing. Large favorable May trade balance weakens Germany's case for transfer moratorium. British-Japanese trade war only preliminaries to new trade agreement. Soviets visit Tokyo.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Part of the recent buoyancy has been taken out of business in Europe by the continuing uncertainties presented by dickering delegations at London. Stocks and commodity prices dropped as soon as the rumors of currency stabilization came out of London, picked up again as soon as the rumor was denied, thus furnishing President Roosevelt with a concrete example of the necessity for freedom to cheapen the dollar if he is to carry out his policy of raising prices.

Europe is divided into camps. France has the backing of Germany, Italy, and Holland in demanding currency stabilization. British support of the French stand is less obvious since the Chancellor of the Exchequer offered his resolution that central banks cooperate in a policy of cheapening credit through open market operations, but there is not yet an Anglo-American "bloc" backing inflation of prices (page24). The British will do a good deal of dickering before they swing wholeheartedly behind the scheme.

Germany's maneuverings this week are generally resented abroad. The transfer moratorium on long-term credits has caused British bondholders to unite for firm action. American bondholders have sent a vigorous protest to Berlin. When the May foreign trade report was issued in Germany showing the largest favorable balance of any month this year, resentment increased. It is the contention of foreigners that Germany can continue to meet service charges for some time yet, and that if the recovery which is evident in Germany as well as in other countries continues, there may be no need to discontinue payments abroad.

Nazi Demand Vexes London

Beyond this move by Germany, there was the tactless demand in London this week that the former colonies be returned to the Germans. It is a demand which at various times has had some sympathy abroad, but it is a highly political question and might seriously jeopardize the conference if pressed.

Industrial recovery continues slowly in almost every country. Britain is probably making the most striking progress. France is moving more slowly. A new proposal has been made to increase the appropriation for public works.

Tax returns in several countries showed improvement in April, the last month reported.

Great Britain

Business still expanding though Conference uncertainties have removed buoyancy. Industrial expansion continues slowly.

LONDON (*Cable*)—British business is under the influence of the conference and so is less buoyant this week than it has been, though the tone is still good. Both stocks and commodities lagged during the days when stabilization of world currencies was rumored, but both soared later as the dollar sagged. This new price rise is largely artificial. Unemployment is declining slowly, and iron and steel production is slightly up, but progress is slow. Most encouraging signs of recovery are still the reports from the north that industry is steadily improving.

Pessimism was general when the stabilization rumor was blasted. A good deal of interest is now attached to the coming visit of Professor Moley. It is hoped that there will be some agreement among the central banks to keep the dollar, unofficially, within an agreed price range.

British Are Divided

There are 2 groups in Britain trying to influence the British delegation. One group would link the pound sterling to the gold group (now headed by France) and ignore the Americans. Another would link the pound to the dollar and join Washington in a cooperative plan for inflation. Developments are uncertain, but it seems more probable in London that Britain will follow the former plan. Certainly Senator Pittman's proposals to reduce the gold backing of currencies and incorporate a fixed proportion of silver in this backing has won little support in the City. London's strong silver party may exert considerable influence before the conference ends.

The demand of Germany this week that her colonies be returned to her has greatly vexed the British. Despite the fact that there has long been a group in Britain which favored the return of certain of the African colonies to Germany, the intrusion of this vexing political question into an already troublesome conference has greatly annoyed the British and further withdrawn waning sympathies for the Hitlerite Reich. Also, protests continue that British bankers have given all interest to their own standstill credits in Germany, to the exclusion of the interests of the bondholding public who bought their German bonds through British banking syndicates.

Tariff discussions at the conference so far have been only desultory. The British stand, however, is obvious. Lower tariffs are to be desired but much more vexing than tariffs is the question of quotas, to which the British pledged themselves at Ottawa and which they refuse now to abandon.

Germany

Industrial recovery spotty; securities prices weak. New international antagonisms. Foreign trade shows unexpected pickup.

BERLIN (*Cable*)—Germany has been strongly influenced by political developments this week. Securities have sagged as a result, and industrial recovery lagged.

Outstanding developments from the domestic point of view were the defiant moves by Chancellor Dollfuss of Austria to curb all Nazi activities within his country. Penalties for any breach of the Chancellor's demands are drastic. Germans are enraged. The Dollfuss government represents, to the Germans, the French influence in Austria which prevented the Anschluss 2 years ago and which now prevents closer ties between the 2 countries.

At the same time, and probably pressed as a counter move by Berlin, Chancellor Hitler has been conducting trade discussions with the head of the Hungarian government. Germany, politically, is almost isolated. A pact with Hungary would be a new move which might lead to further trade agreements with the countries of Central and Southeastern Europe.

False Step at London

Germans generally consider Hugenberg's appeal at London for a return of the German colonies a clumsy tactical error. It comes at a time when Germany can ill afford to alienate whatever foreign friends she still has.

Foreign trade returns for May, just announced, show a vast unexpected improvement. Despite the various boycotts against German goods, exports are up 11%. Imports increased 4%, showing a reviving demand for raw materials for industry.

The increase in exports spread over most fields of finished goods except

textiles, and to most countries except France. It leaves Germany with a favorable trade balance of more than $25 millions, the largest for any month this year and ample to service the foreign obligations on which Germans have just declared a moratorium. Unexpected as the improvement is, and as uncertain as it is that future months will continue to show improvement, the position of the Reichsbank in demanding a transfer moratorium is greatly weakened.

Woolworth Advertises

Americans in Berlin are considerably interested in recent Woolworth advertising. There are more than 80 stores in the Woolworth chain in Germany. Several new stores which were to be opened this spring were not allowed to open due to the Hitler ban prohibiting all new retail stores, but particularly new department stores and new units in a chain.

From the first, there has been no special prohibition on Woolworth as a foreign store. Legislation has applied equally to all chains. Woolworth, nevertheless, is making a definite appeal for German sympathy in recent advertising. Featured in advertisements this week were the reports that the Woolworth Co. bought more than $7 millions worth of German goods for consumption in Woolworth stores in other countries; that more than 90% of the goods sold in Woolworth stores in Germany are of German origin; that Woolworth pays German landlords each year in rent more than $1 million; that Woolworth provides jobs for more than 4,000 German employees.

The campaign against chain and department stores in Germany has subsided somewhat lately but a sales tax is now being prepared which plans highly graduated progressive tax rates for department and chain stores with high annual turnover.

France

Business unchanged. General disappointment over London Conference. Growing antagonism to Germany.

PARIS (*Wireless*)—French reaction to the World Economic Conference is expressed typically in *Le Temps* this week: "It would be difficult not to recognize that the London Conference is a disillusion, at least for those who have placed any hope in it of arriving at a solution of the international economic puzzle."

France's stubborn demands for a return to the gold standard as a prerequisite to all other accomplishments at London have brought no results. Stabilization, which for a few days was reported possible, has again fallen into the background. The uniting of efforts to raise prices now occupies first attention. Where the other nations at the conference are impatiently awaiting the arrival of Professor Moley, France is inclined to look on him as a Greek bringing gifts which, probably, "will be not at all suitable to European tastes." The French know they have made no headway with their demands at London. Naturally, they view the proceedings with mistrust.

Business meanwhile is unchanged. Unemployment continues to decline slowly. Industrial activity is greater than a year ago but there is no marked activity. The Bourse was quiet this week.

Balk German Aspirations

The Austrian situation has attracted some attention. The decree in Vienna that Austrian Nazis are to be muzzled meets with French approval, but the need to meet the French share of the B.I.S. loan to the Austrians is a worry. It is obvious that the public is in no frame of mind to subscribe to such a loan. For political reasons, and with political pressure, it is likely to be absorbed by French banks. France knows that the most effective way of balking an Austro-German Anschluss is by supporting the present Austrian government. The public is less certain that it wants to share financially in a scheme, the outcome of which is uncertain.

Another show of temper against Germany came this week with the threat that France will raise tariffs on 100 items of import, most of which in the past have come from Germany. It is a direct answer to Berlin's recent tariff increase.

Americans Affected

France, in the budget, makes several changes in tax regulations which interest foreigners. Co-operative companies, which are largely French and which heretofore were exempted from taxation on commercial profits, will hereafter be assessed like any other company, but only after reduction of dividends or premiums have been paid to members. Other countries have recently taken similar steps.

Another item has finally put a stop to a simple method used by numerous firms to avoid paying out too much of their profits to the government. The law affects numerous American companies with affiliations in France (particularly Franco-American oil companies). According to the text of this law, both subsidiaries of foreign companies operating in France and French companies with affiliations abroad are forbidden transferring either profits or losses from the parent company to its subsidiary, or vice versa.

European

THERE GOES THE MAIL—Ship-to-shore air mail service starts again from the *Bremen* and the *Europa*. Bigger planes than in the experimental flights now leave the catapults. Mail to *Business Week* last week was flown across Germany, put on the ship, catapulted to New York while 650 miles away, delivered a day earlier, 4½ days from Berlin to 42nd St.

Latin America

Brazil carries out plans to liquidate frozen commercial bills. Sugar conference may help Cuba.

No news out of Latin America has yet eclipsed Brazil's plan to thaw blocked dollar accounts. Negotiations have been under way all week to put the plan in operation. Claims must be filed before June 30.

Two questions have risen among the creditors in this country. The new plan provides that their old debts will be funded over 72 months. So far there is no provision for discounting the Brazilian government's notes which will be delivered July 1. Commercial banks are not in the habit of accepting for discount notes with such distant maturity. There was a rumor all week that the R.F.C. had been requested to make some provision for discounting, but no definite announcement has yet been made.

The other question was raised by holders of Brazilian bonds, the bulk of which are now in default. Interest and amortization payments are being made in most cases in milreis into accounts in Brazilian banks, but so far there has been insufficient foreign exchange to provide for the transfer. Bondholders as yet have made no concerted protest over the discriminatory treatment, but the question may yet arise.

Two other minor items appeared in the news this week. The first was the announcement that American sugar interests would meet in a general conference on June 27, at which an effort will be made to allot the domestic sugar market among the various sources of supply. In view of President Roosevelt's suggestion that Cuba be given a larger share of the market, there is considerable interest in the forthcoming meeting.

In San Francisco there was an announcement that a large coffee cooperative might be formed to stimulate the sale in this country of Mexican coffee.

Far East

New threats to Japan's export markets. Russia, Manchukuo, and Japan open formal negotiations for deal on Chinese Eastern.

JAPAN's battle for world textile markets is still the most significant business development in the Orient. With the India market banned to Japanese exporters of cotton goods except when they pay exorbitant duties, Japan continues with plans to retaliate. As a gesture of defiance, 500 bales of Turkish cotton were purchased during the week, and commissions were named to study the possibilities of increasing the purchase of Chinese and African cotton. An official delegation, meanwhile, has left for India where representatives of the 2 countries will meet at Simla in July to discuss possibilities for improving the situation.

Another threat to export trade reached Tokyo during the week in a report from the Japanese consul-general at Sydney, Australia. It was intimated in this communication that the Australian government is making a study of Japanese imports which may be the forerunner of some announcement of tariff increases. Depreciation of the Japanese yen is still greater than the decline in the exchange value of the pound sterling, which gives Japanese exporters a distinct advantage on the Australian market.

Business is quiet in China. The matter of greatest interest is the coming meeting in Tokyo of representatives of the Soviet, Manchukuan, and Japanese governments to discuss the sale of the Soviet share in the Chinese Eastern Railway to Japan. If this is accomplished, it will be accepted by China as a break of the last hold Nanking still can claim on Manchuria. The conference is scheduled to open on June 25.

What's New in Britain

British manufacturers search for new products. Grenfell waterproof, smoke preventor, and household coke offered on market. Less successful at novelties.

LONDON—The urge of British industries to expand home markets now that many of their foreign outlets have been barred by tariffs, plus the pressure by the Tariff Commission to fill the needs heretofore supplied from abroad or give up the protection of the new tariffs, is bringing new domestic products to the home market daily.

Americans will probably be interested in the new rainproof material being produced in Lancashire and called "Grenfell Waterproof." The material, which is being used for hats, coats, and gloves, is something between ordinary weatherproof cloth and rubber-finished goods. It is capable of resisting the heaviest weather, is very light, and has a silk finish. Although it can be made as light as silk, it is less easy to tear than ordinary mackintosh.

Made for Labrador

Manufacture was started by Burnley to meet the needs of Sir Wilfred Grenfell in his medical and scientific work in Labrador. It has been adopted by the present climbing party at Mt. Everest. The material is now being featured in London shops. Makers state that special yarns, special weaving, and the best dying are as important in the making of the cloth as is the process of waterproofing.

Britain's newest brand of rust-resisting steel has been offered on the market recently under the trade name of Dalzo. So far it has been successfully utilized in the construction of lightships, sewage tanks, tubes and pipes. Colvilles, Ltd., Scottish steelmakers, are the manufacturers.

An innovation in smoke prevention has been brought to perfection at Sheffield. The eliminator has been successfully applied to locomotives and marine boilers on tug boats. Complete elimination of black smoke is claimed. The apparatus is easily fitted, requires no structural alteration to the interior of the boiler or interferenece with the flues or grates. It is automatic.

Cheaper Fuel Possible

The principle is that of introducing steam-driven secondary air over the fire in such a way that it is pre-heated and meets the volatile gases that are given off from fresh fired coal with considerable turbulence. Black smoke is never formed and the efficiency of the boiler is increased through better combustion. In many cases, a cheaper fuel has been utilized successfully. The manufacturers are Thomas Firth & John Brown, Ltd., producing under license from the British Smoke Eliminator Co., of London.

A coke, especially adapted to use in the home, is being produced by the Randolph Coal Co., of Durham. It can be lighted with paper and sticks in a kitchen grate like coal.

The British have never been especially successful in creating novelties. Lewis's—Britain's biggest retail department store chain—recently staged an exhibit of home-manufactured novelties. The public was pretty critical but 4 exhibits attracted considerable attention. One was an inexpensive adaptation of neon lighting for names and house numbers. Flappers created an immediate demand for an illuminated make-up mirror small enough to be carried in a purse but large enough to be useful at the movies. An economy novelty was a suitcase on tiny wheels, planned to save tipping porters. The new interest in gardening probably stimulated the inventor of the weeding stool, with a kind of rocking horse motion.

The Figures of the Week

Commodity prices recover from sinking spell induced by currency stabilization talk. Electric power, coal, steel, and carloadings continue to lift general business index. Organization still bothers steel and coal concerns.

PROGRESS in the organization of leading industries is proceeding as rapidly as can be expected considering the numerous difficulties and compromises that have to be tackled. Uncertainty over the effects of establishing minimum wages and shorter working periods on costs and hence on price quotations is disturbing both buyers and sellers. While higher prices are anticipated by both, the possible extent remains an enigma. Buyers are therefore eager to protect themselves as far in advance as possible, while sellers are hesitant that their quotations might prove inadequate to cover increasing costs. The new processing taxes to be levied on agricultural products together with the strenuous efforts to be made for output reduction—particularly in wheat and cotton—are bound to lift prices eventually. But how much?

Steel is an outstanding example of the general predicament brought about by the new industrial organization for recovery. Pressure for materials from a broad variety of consumers continues to necessitate greater activity in spite of the approach of the summer months. Dow, Jones estimates that during the week ending June 19, independent ingot producers were using 55% of their capacity, while U. S. Steel now hits 38%. Demand for prompt delivery is taxing the facilities of the mills. Second quarter contracts based on low prices are now approaching an end. Some of this represents speculative purchases, but the bulk of steel going to the automobile industry, at least, has been fabricated at once. Mills are reluctant to quote third quarter prices until they can determine the effect of the new legislation. Protective clauses are often inserted in contracts to take care of possible additions to costs.

The persistent improvement in retail motor sales continues to surprise manufacturing concerns themselves, though whatever gains are made in employment and payrolls in any part of the land provides so much richer pasture for the automobile salesman. And the current returns are favorable (page 18). May production estimated by the National Automobile Chamber of Commerce totals 172,883 units, and this figure excludes Ford's output for which another 50,000 might be added. This would make the month the highest since July, 1931. Sales based on returns from 25 states indicate that May placed about 165,000 new passenger cars in the hands of the public, a 40% increase over April and 20% ahead of a year ago.

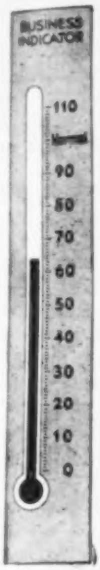
Steel Demand Broad

Meantime other fields are not lagging. New recruits are turning up as activity spreads or fear of price increases strikes home. With rising freight traffic, even the railroads may add their weight to the lengthening line of steel consumers. A small volume of rail business found its way to the books, while the opening of repair shops has increased the call for bars, plates, and shapes. Structural tonnage, according to the *Iron Age*, reached 22,800 tons, the largest with one exception since February. Road, naval, and other building projects should provide a long absent stimulus to this branch of the steel industry.

Measured by the volume of payments made by check which in the ordinary business year is thought to represent about 90% of all business transactions,

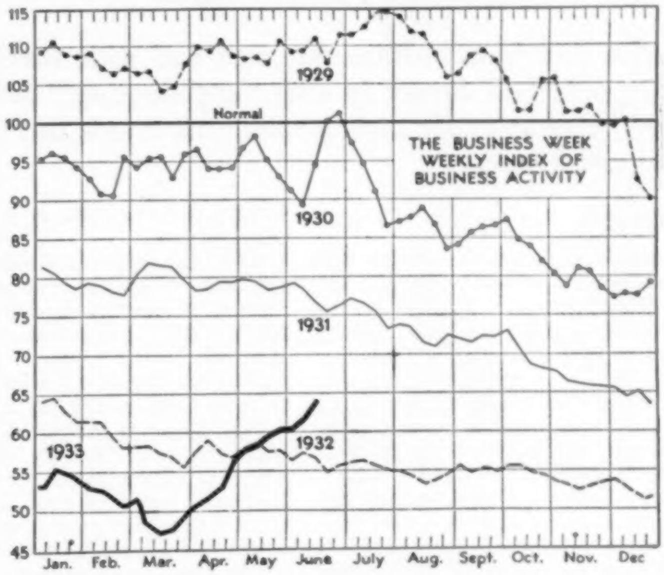
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
BUSINESS ACTIVITY	*64.1	†62.2	56.7	
PRODUCTION				
Steel Ingot Operation (% of capacity)	48	46	16	58
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	......	$2,978	$5,795	$16,793
Bituminous Coal (daily average, 1,000 tons)	*906	†913	663	1,226
Electric Power (millions K. W. H.)	1,578	1,542	1,442	1,588
TRADE				
Total Carloadings (daily average, 1,000 cars)	94	92	84	141
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	64	63	62	94
Check Payments (outside N. Y. City, millions)	$2,711	$2,938	$2,848	$4,882
Money in Circulation (daily average, millions)	$5,742	$5,784	$5,485	$4,830
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.72	$.71	$.46	$.94
Cotton (middling, New York, lb.)	$.092	$.093	$.053	$.137
Iron and Steel (STEEL composite, ton)	$28.75	$28.75	$29.52	$33.25
Copper (electrolytic, f.o.b. refinery, lb.)	$.078	$.078	$.052	$.114
All Commodities (Fisher's Index, 1926 = 100)	63.5	62.7	59.3	82.1
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,207	$2,216	$2,277	$1,415
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,521	$16,485	$16,947	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,761	$4,769	$5,726	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,798	$3,742	$4,265	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$782	$699	$402	$3,106
Stock Prices (average 100 stocks, Herald Tribune)	$99.05	$100.12	$76.54	$138.60
Bond Prices (Dow, Jones, average 40 bonds)	$84.45	$84.60	$70.97	$90.42
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.1%
Interest Rates—Prime Commercial Paper (4-6 months)	1¼-2%	1¼-2%	2½-2¾%	3.8%
Business Failures (Dun and Bradstreet, number)	396	401	613	487

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



activity thus far in June is holding up well. During the first week of the current month, check volume both within New York City and outside of this financial center made a gain of over 26%, while the succeeding week ending June 14 saw a slight recession, having no important significance. During the full month of May, check transactions in New York City gained 16% over April, while in the 140 cities outside, an 8.5% gain occurred. New York, aided by the increased speculative activity of the markets, even ran 8% ahead of 1932, a situation that has persisted into June.

Currency Circulation Declines

Outstanding currency has been steadily decreasing since the peak reached in March, making the shrinkage equal to 24%. However, the $5.7 billions volume is still excessive and fluctuations no longer represent changes in trade so much as a return of money to banks and the Treasury. In this connection it is of interest that the Department of Justice in investigating some 15,000 alleged gold hoarders discovered 183 holding over a million dollars that have refused to return the precious metal. Over 5,000 of the hoarders are located in New York City. By the end of May, over $604 millions of gold and gold certificates were still outstanding in the hands of the public.

Soft coal production is moving steadily upward, the June 10 week on a daily basis being nearly 37% higher than a year ago. Anthracite, too, is again climbing ahead of 1932, though during the month of May a 13% lag occurred. Differences over wage rates kept production at a low level, the matter not yet settled as organization of the industry impends. Soft coal output during May gained 7.8% over April on a daily basis, while striding 17.2% ahead of May 1932. Soft coal miners in the Northern Ohio district are receiving higher wages as a result of recommendations of the recently established selling agency, Northern Coals, Inc.

Power Still Rising

Electric power production is still expanding at a good pace as industry lengthens working time and more plants fall in line by starting operations. During the week ending June 17, the country as a whole was using 9.5% more power than a year ago. Every region except the Pacific Coast has left 1932 far behind, and even this region is approaching last year's production. In the New England states, textile and shoe activity lifted power consumption 18.2% above a year ago. The Southern states have consumed 13.6% more, and the Central industrial states affected by steel, motor, and construction material industries are requiring 11.9% more than a year ago.

The railroads have profited by the increasing activity apparent in an ever widening variety of industries. During the June 10 week, loadings reached a new high for the year, and for the fifth consecutive week maintained a level above 1932. Scattered returns for the June 17 week indicate that volume is still being maintained.

The problem of wage cuts is proving a knotty one for the railroads since it comes at a time when every effort is being made to lift purchasing power and apparently meets with no favor from the Administration. The roads are requesting a 12½% reduction in addition to the present 10% cut which expires at the end of October. Coordinator Eastman made an effort to put off the controversy. After a 2-day session in which he acted as special representative of the President, a truce was signed extending the 10% cut to June 30, 1934. The roads agreed to lay aside their demand for the additional reduction during the 8-month period. Reduction of staff from the May 1933 figure of 937,103 men is forbidden by the recent legislation in any program of service coordination.

Since our last report, commodity prices were rudely jolted by the stabilization proposals at the World Economic Conference. The last few days of the week ending June 17 saw practically every leading commodity sag from the recently established high levels. With the prompt denial of stabilization proposals from the Administration at the present time, prices recovered much of the lost ground. This was particularly true of silver, tin, zinc, cocoa, rubber, silk, sugar, hides, wheat, and corn. Wool and coffee failed to regain former levels; cotton was irregular. Non-ferrous metal markets reported a continued good volume of business as industrial consumption showed no slackening.

Wholesale and Retail Prices

May wholesale prices based on 784 items compiled by the U. S. Bureau of Labor Statistics moved 3.8% above April. Farm products profited most (18%), with hides and leathers next (11%). Increases occurred in 364 instances, decreases in only 49, while 371 items remained unchanged. Retail food, which accounts for about a third of the average wage-earner's budget, increased 3⅔%, helping to raise the cost of living index for the first time since September, 1930.

The Financial Markets

Stocks and commodities rise and fall with foreign exchange. Wall Street is still "anticipating" inflation. Stocks rise to fairly high levels. All bonds but foreign ones are strong.

Money

IN spite of the fact that it has been demonstrated over and over again that Wall Street frequently indulges in cock-eyed economics, the public at large continues to take its cue from what happens there. Illustration—the close parallel between the fluctuations of the dollar on foreign exchanges and prices of stocks and commodities in Wall Street, a relationship largely artificial which has few statistical data to support it.

The decline of the dollar in terms of the franc, now 18%, and slightly more in terms of the pound sterling, is at variance with the facts. Foreign trade figures for May, just at hand, show a favorable balance of trade of $7 millions. For the first 5 months of 1933, exports exceeded imports by $80 millions.

There is as yet nothing to justify the weakness of the dollar abroad. The decline is anticipatory to the scheduled action of the Administration on domestic inflation. The extreme sensitivity of dollar exchange to rumors and reports from the economic conference in London that the dollar is about to be devalued, or pegged, or that the Administration refuses to participate in the stabilization program should serve as a warning that the dollar is in the hands of speculators.

What may prove a threat to public confidence is the sensitive response of commodity prices to foreign exchange. As the dollar declines abroad, domestic commodity prices advance. Commodities on the organized exchanges have cut loose from their statistical moorings.

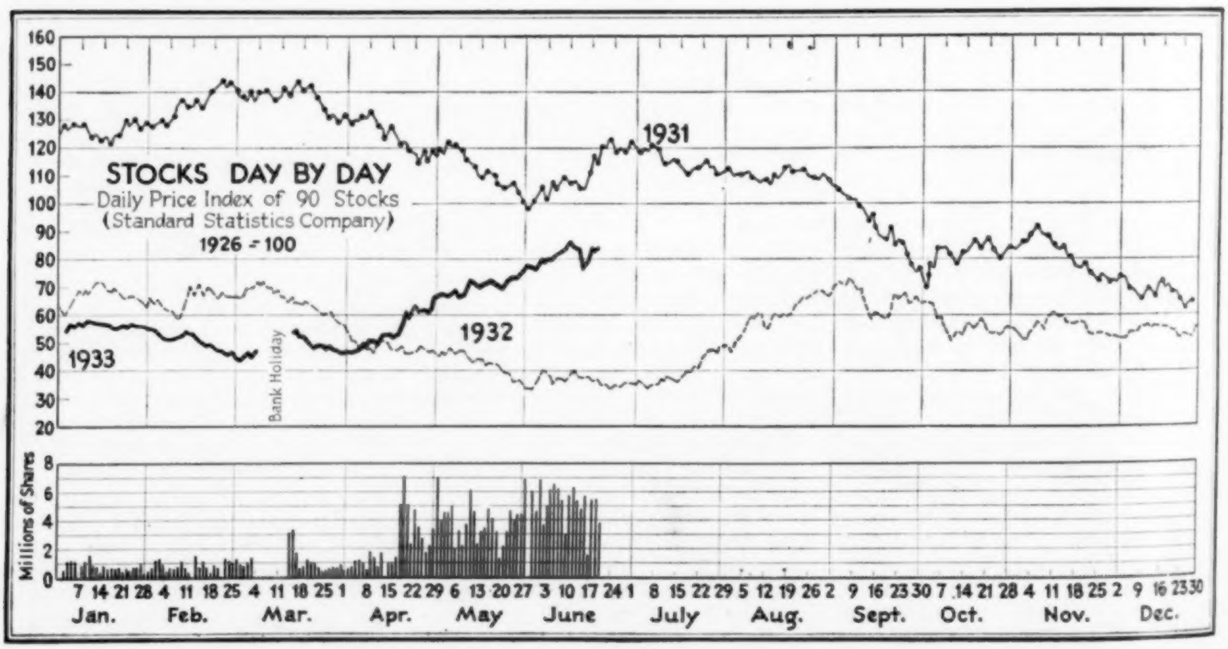
That danger is recognized in administrative circles. Secretary Wallace has proceeded vigorously and promptly with the powers conferred upon the Administration to restrict production in wheat, cotton, and tobacco, evidently recognizing the instability of present price levels. In fact, the Department of Agriculture and the Secretary have intimated that they consider recent price advances for farm products highly unstable, and that they do not think they can be supported for any length of time by forcing down the value of the dollar.

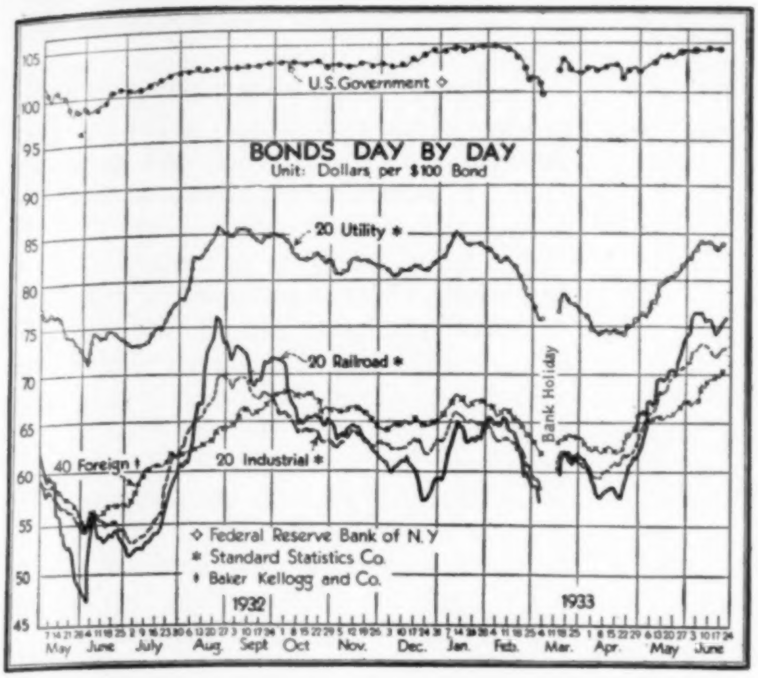
There is a relationship between the cheap dollar abroad and higher domestic prices of commodities that we export, but that differential has been more than absorbed. Though the dollar has dropped 18%, cotton has risen almost 50% and wheat has advanced more than 40%. The same is true of other commodities that we export. If we exclude cotton, May exports come out lower in value than for April.

The best that can be said for the parallelism between foreign exchange and prices of commodities that we do not export, is that Wall Street here acts upon a misapprehension. There is no relation. When England went off the gold standard and the pound depreciated almost 30%, there was no increase in domestic prices.

The higher domestic prices, therefore, also are anticipatory to inflation. Inflation may come, but there is no statistical data as yet to show that it is here or even on the way. The latest report of the Federal Reserve banks shows $44 millions less money in circulation and the increase, totaling $20 millions, in United States government securities is offset by a decrease in loans to member banks of $23 millions. On the other hand, member bank reserve balances have increased $77 millions thus showing that the familiar process of increasing liquidity for banks is again going on. The only figure which gives evidence that credit is being expanded is the remarkable increase for the week ended June 14 of $220 millions in net demand deposits in reporting member banks, only slightly offset by a decrease of $12 millions in time deposits and a decrease of $23 millions in government deposits. Net demand deposits have now risen to $11.2 billions as against $10.3 billions on May 3, the first figures made available after the bank holiday.

In compliance with the new Glass-Steagall Banking Act, banks have stopped paying interest on demand deposits. Bankers are not necessarily jubilant because of the switch of funds from interest payment to increased bank earnings. The larger banks fear that the absence of interest on demand de-





posits is a wholesale invitation for large depositors to dump their money on the stock exchange in the form of call loans where they can earn 1%. Even the United States Treasury has notified depository institutions that they no longer need pay interest on deposits created by subscriptions to government issues. The savings to New York banks therefore will be close to $5 millions. It's an ill wind that blows no one some good.

Bonds

Bonds continue on firm ground. United States government bonds act almost like currency in their stability. In fact, the provision which enables the Federal Reserve bank to issue Federal Reserve bank notes based upon bonds has given the bonds almost the status of interest-paying currency. Hence bondholders are loath to part with bonds except at par or a premium. Moreover, the outlook for government bonds continues excellent. There is always a possibility that if governments should waver from par the Federal Reserve banks would step in and exercise their authority in open-market purchases. Good municipal bonds, which took a tumble when it was proposed to tax the income from tax-exempts, have re-established their old high plateau now that Congress has adjourned without enacting the proposal into law. Second-grade bonds boom along, partly because they benefit from the speculative boom in stocks, and partly because the improvement in industrial activity is bound to improve the earning statements of their corporations and to supply funds for interest payment. As the interest payment becomes more certain, bonds approach par.

Foreign bonds remain weak. In Wall Street it is whispered that holders of German bonds may as well reconcile themselves to the fact that they have seen their last coupon paid. The weakness in German bonds of course affects the entire list. Moreover, the refusal of the United States government to participate in the stabilization schemes that are being discussed at the economic conference can only have one meaning and that is that it is proposed to restrict imports not merely by the tariff but by the devaluated dollar. If that is the Administration policy, what chance is there of servicing the interest and amortization payment of foreign bonds?

Stocks

Stocks have been recovering much of the ground they lost when Wall Street became scared that the dollar was to be stabilized or pegged. However, they are not back to the high point of the year. The stock market continues to be highly sensitive to foreign exchange and from that standpoint is in an extremely speculative position. However, some advance is justified on the ground of increasing industrial activity which foreshadows larger earnings. But one hesitates to remind the speculative community that a conservative value on stocks used to be 10 times its earning power. On that basis, stocks on the whole, are today relatively higher than they were in 1929.

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Conference Pattern

INTERNATIONAL conferences run pretty much alike. Trace the story of a dozen since the War, and note the monotonous pattern. First, the set oratory, for the folks back home. Then the jockeying. Next, great show of violent disagreement. Fourth, threats to break up. Fifth, renewed negotiations. Finally, agreement, with tangible results.

There is no reason whatever to suppose the largest of all international conferences will depart from a pattern so well-tested and useful. Indeed, we can begin to trace the familiar outlines already, against the equally conventional background of daily dispatches which the army of correspondents is in duty bound to make readable and exciting.

It is a mischievous thing for these commentators to try to heighten the drama of the affair by making it appear that the whole object of the London Conference was to settle within a few days the relative value of all the principal currencies of the world, and agree to peg them there forthwith. A popular impression seems to be growing up to this effect with the inevitable corollary that, failing this, the conference fails.

The real situation is clear enough. The domestic program for recovery obviously must have as its mainspring a rise in commodity prices. There is an effort to represent this as putting us in conflict with the policies of other nations. Nothing of the sort is true. The thing upon which the nations of the world are nearest unanimity is that prices must be raised.

Now, if monetary measures are to be utilized to raise prices, the value of money cannot be pegged. Even France, stubbornly fighting to bring the rest of the nations back to join her on her lonely island of gold, admits that the paramount issue is how to raise prices. She insists, however, that "artificial" monetary devices mean only "ephemeral" success.

The French phrase gives a key to an understanding of the conference. It has two great objectives—immediate relief, and permanent plans. Its immediate objective is to agree that prices everywhere be raised — which fundamental seems already to be conceded—and to decide how. This may entail debate, indeed, but ought not to be impossible. It does not require joint or uniform action, merely simultaneous action. The second objective is to plan, so far as may be now, what shall be done to make permanent the new price level once it is achieved. That problem overshadows in importance everything else, but it does not have to be solved complete at this conference.

No doubt the solution, when it is reached, will contemplate a return to the gold standard, at currency ratios which might conceivably be determined tentatively now, whether or not they are made public. But, as the proposals of the British Chancellor forecast, and as the London *Times* observes, "it will not be to the gold standard of post-war years."

Immediate stabilization never was in contemplation. It would be both undesirable and impractical. What the delegations are disputing, we conjecture as we try to pierce a fog of words, is the comparatively minor point of whether it is practical or desirable to peg exchanges temporarily, to eliminate the wild daily fluctuations. The conference will not be wrecked over that question.

If the London Conference shall cause the world to undertake to raise the price level to a mark generally agreed upon, but not necessarily announced, if it can make a beginning toward a permanent monetary accord which shall tend to eliminate violent price cycles in future, it will have been a brilliant success, and will become one of the great landmarks of history.

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